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OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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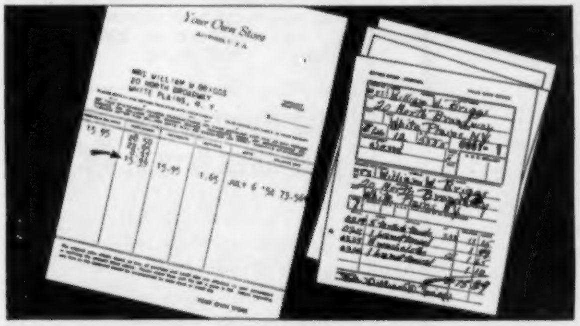

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In This Issue

Five Feature Articles

PAGE

Three Other Highlights

Six Departments

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Stepping Up Credit Sales

F. R. Hachtel
***Credit Manager,* Gimbel Bros., Milwaukee, Wisconsin**

WITH THE INCEPTION of retail credit, credit managers seemed to lean back in their chairs, scan an application, say to themselves, "Now, on what basis can I decline this account?" Times have changed greatly and now we are out to seek all the good credit accounts that we can.

Nearly everyone is eligible for some form of credit account, either a regular charge account, a rotating charge account, merchandise certificate or credit coupon account or instalment type of account. Fine and dandy, we think. Prospective customers come into the store and we will be able to find an account that will satisfy their needs. But is this enough?

Various surveys indicate that the mortality rate of charge accounts is about 15 per cent a year, due to various reasons, such as death, moving away from the vicinity, older folks who have accumulated most of their necessities and therefore have curtailed their buying, and, of course, those customers who just stop buying from our store for one reason or another and do their shopping elsewhere. Generally, this 15 per cent is not replaced by customers who come into the store voluntarily. Therefore, it behooves the successful manager of credit sales to go out and seek new business, not only to replace the accounts that are lost, but to increase the over-all number of active accounts.

There are two general classifications to discuss in increasing credit sales:

1. Charge Accounts.
2. Instalment Accounts.

First, let us discuss charge account promotions, of which there are three general classifications:

1. Solicitation of new accounts.
2. Reactivation of inactive accounts.
3. Increasing sales on active accounts.

It certainly should not be hard to sell a customer a charge account when informed of the numerous advantages, some of which are:

1. Buy now and pay later.
2. Eliminate the necessity of carrying large sums of money.
3. Simplify phone and mail-order shopping.
4. Advance notice of sales.
5. Establish credit in the community.
6. Enable a personal budget to be maintained.
7. Facilitate C.O.D. deliveries.
8. Ability to take advantage of special sales when otherwise one might be short of funds.

It would be a relatively simple matter to just obtain names and addresses of various persons who do not have an account at our store and proceed to open one for them, but we want more than that. We want our prospective charge customers to *use* the account. We do not want to put a lot of deadwood on the books. So, before embarking on any type of promotion it is advisable to set up a definite program covering a period of six months to a year. This can be then broken down into a quarterly calendar. For example, the first quarter would include Easter promotions and perhaps a furniture sale; the second quarter, vacation needs; the third quarter, back to school; fourth quarter, Christmas, etc. Other promotions, of course, can be worked in to tie in with special sales events.

Larger stores should have a separate Promotion Department consisting of as many personnel as is necessary, under the supervision of the credit manager. A periodic check should then be made on the various types of promotions to determine their success or failure measured by the activity per cent and dollar volume. This test should be made soon after the promotion so that you can determine that it is a direct result, and also allow enough time for the customer to take advantage of the solicitation.

Some of the promotion facts that you will need to know are:

1. Types of solicitation.
2. Number received.
3. Number and per cent accepted.
4. Total purchases.
5. Average monthly purchases.
6. Projected dollar volume.
7. Cost of program.

As new accounts cost $3.00 to $10.00 to put on the books a certain amount of selection is necessary. For follow-up purposes, records should show the above mentioned facts by the month, the year to date, and against the previous year's figures. The statistics are also of value in inactive account solicitation, inasmuch as you want to know the number and the percentage of accounts reactivated.

Sources For Charge Account Solicitation

There are many sources from which to solicit charge accounts. Nearly all should be given a trial. Those which do not show good results should be dropped and concentrated attention given to those that have shown good results or to other sources. What are some of these?

1. Your own cash and C.O.D. customers are usually the easiest to convert to credit customers as they are already familiar with your services and merchandise. Some of them may be minors or poor credit risks.

2. A welcome is well received by newcomers to the city. Generally, they are in need of many new household items. Be sure to describe the nature of your store, location and any special services that you may offer in your letter or visit. Many stores use a Hostess service in this type of solicitation with a personal visit to the home and a token gift. If you are considering giving a gift, consider the advantages of a Courtesy Card which the customer can bring into the store and obtain the gift, such as a pair of stockings or a free dinner, or the like. In this way, you will get the customer into the store and generally he will make a purchase also. It is a good

idea to give a list of the names and addresses of newcomers to your House Furnishings Department for follow-up purposes. Also do this on your notices of change of address, as, generally speaking, new furniture or carpeting and the like are necessary when moving from one home to another. Let your buyers follow up on these prospects.

3. Newlyweds. If you have a Bridal Bureau or Service, all the information you need is there for the asking and in most instances, many new purchases are planned by the couple.

4. Paid-up Convenient Payment or Budget Accounts. Customers who have promptly paid previous instalment accounts will generally make good regular charge account customers.

5. New Instalment Accounts. If the information looks satisfactory suggest a charge account also.

6. If you make a practice of cashing payroll checks, secure the names and addresses from your cashiers. The place of employment and the amount of the income is shown on the check.

7. Mail Order. Charge accounts add greatly to the convenience of your mail-order service. It facilitates C.O.D. deliveries. Customers are quick to recognize this fact. In addition, they already are your customers and familiar with your merchandise and charge customers buy more.

8. Teacher's Registry. Teachers are generally good credit risks and seasonal promotions are usually well received.

9. Various types of City Directories, say within a 75 mile radius of your city, or within your delivery area.

10. Fur storage customers.

11. Restaurant Patrons. Have small printed application blanks on the tables to be filled out by the customer and handed to the waitress or the cashier.

12. Employee's Campaigns. An excellent source of new charge business both from acceptance and activity angles.

13. Newspaper ads with coupon to be mailed in by customer.

Why should we wish to change our cash customers to charge customers and seek additional charge accounts? I believe that a customer feels a stronger tie to a store where she has a charge account and will do more of her shopping there, many times making a spur-of-the-moment purchase while just walking through the store.

There are several methods of soliciting from sources mentioned. Many organizations write to prospective customers inviting them to apply for an account. This sometimes backfires if when, after a credit investigation, information is such that they find they are unable to open an account for the customer after all. In addition, many customers do not bother to reply. Some stores investigate the customer first and then write, enclosing their Charge Card or Credit Plate, informing the customer that the account is open and ready for immediate use and if possible, tying it in with a special sales event. Some may say that this is too expensive. It is up to you to decide which is the best plan for your own operation.

Most important, however, is to check your own files and make sure that the customer does not already have an account with you. You can well imagine a person's reaction in receiving a letter inviting her to open an account or informing her that a new account has been opened, when she has had an account with you for many years and possibly made a purchase yesterday.

From our experience, we have found that best results are those received through our employees, both as to the percentage accepted and the percentage used. We pay 35 cents for each accepted account the year round, whether the account is used or not. Twice a year we have a contest of two months' duration each, where a special bonus payment is made; 50 cents for the first 10 accounts; 75 cents for the next 15 accounts and $1.00 for each account over 25 which has been accepted by the Credit Department.

In our contest during the months of October and November, we received 4,919 applications of which 4,050 were accepted, or 82 per cent. We paid $2,905.00 in awards, or an average of 72 cents per account. The last activity check for a two-month period was 72 per cent.

Another satisfactory source is what we term the "Silent Interviewers" which are desks placed in key locations throughout the store, where a customer makes out his own application and deposits it in a slot in the desk. These applications are picked up every morning by the promotion department personnel. We have found that the applications made out by the customers are more complete than those taken by our own credit interviewers.

The second phase in a charge account promotion program is the reactivation of inactive accounts. Many credit managers feel that this should be their first objective, as a credit investigation has already been made, customer

paying habits are known and they will prove more satisfactory as charge customers. We discussed earlier some of the reasons why an account becomes inactive. There are several methods to attempt to reactivate these accounts.

Many stores use a printed message on a statement, others a personal letter and request a reply as to why the account has not been used (in such cases acknowledge all replies promptly) and others use the phone. All of these types of messages, however, should tie in with some special sales event as the customer is not going to come in and use her account again just to make us happy. The desire to buy what we have to sell must be instilled in the customer.

Some feel that a system of follow-up should be used, such as a letter every 60 days for six to twelve months, up to a point where the account is actually transferred to the inactive file. Christmas and Easter seasons present an excellent opportunity for such inactive letters.

Results of Reactivation Experiment

We conducted an interesting experiment in our store about two years ago just prior to Easter. To 5,000 of our inactive customers we sent a specially prepared letter to tie in with the Easter season. To 5,000 of our accounts we mailed nothing whatsoever. To the remainder we sent a printed message on a zero balance statement. The specially prepared letter reactivated 13 per cent. Those on which there was no mailing, 10 per cent were reactivated and those which received a statement with a message, only eight-tenths of one per cent were reactivated. This would seem to indicate that people resent receiving that type of message. Our activity check was made just after the Easter billing.

We made this survey because we had read an article where it was the opinion of the writer that he believed that the accounts would reactivate themselves just as well as, if not better than, if a barrage of letters were sent. This test and a subsequent one which also indicated the same results, gives us the opinion that this party was correct in his statement. Accordingly, we have done nothing since that time to reactivate our accounts.

To me, this seems to indicate that if the store has the merchandise and the prices that the customers want, they will come in and use the account. If you do not have these, any number of letters will not bring them in.

The third part of increasing credit sales is to try to increase buying in related departments. Study the various purchases of your customers and discover in which departments they are heavy buyers and in which departments they are not. We have done nothing on it in recent years. If you have a small store operation, that could probably more easily be done. In a large store it would necessarily entail a lot of work and extra personnel to do the job properly, and on a regular scheduled basis, as I do not believe any promotional program should be a hit-and-miss proposition.

Let us not overlook the fact that charge account sales can be increased by the proper treatment to your customers at all times. Keep your customers satisfied and accounts in open-to-buy condition. A satisfied customer is one who is treated courteously and promptly and in a friendly manner by the salesperson, who received merchandise promptly as promised, and in the condition and quality advertised and whose account is properly serviced by prompt authorization and mailing of credit identification media. Statement and package inserts may also help to promote additional purchases.

Letters should be sent to instalment and credit coupon customers about midway of the duration of their contract, informing them that additions to the account can be made. Better results will be obtained by tying in with some sales promotion if possible. Another letter should be sent after the final payment has been made, again stressing some particular item if possible, telling them that their account can be reopened immediately without any red tape. Also, of course, thanking them for prompt payments on the account just completed.

In instalment sales, it should not be difficult to sell additional merchandise in other departments. If you are opening an account for a refrigerator you may mention to the customer that a stove can also be added to the account if she so desires, or any other item which you may wish to mention. We have found that this type of suggestive selling does pay off. To help bring customers into our store, we also advertise our terms in the newspaper with the merchandise, stating the fact that no down payment is required and the exact amount of monthly payment.

Prior to Christmas, we sent out 7,500 letters publicizing our Merchandise Certificate Account. To those that were mailed to former Merchandise Certificate customers, 29 per cent responded, to those that were sent to former Convenient Payment customers 2 per cent responded and to those sent to Charge Account customers, with lower limits, the response was practically nil. This same applied to a special furniture promotion, publicizing the Convenient Payment Plan. A greater response by far was from our former Convenient Payment customers. This appears to indicate that they prefer the type of account with which they are familiar.

Finally, in connection with credit promotion, it is well to remember that the keystone of good will for a store is its credit customers. Customers that buy on credit are loyal, they will purchase more and better merchandise. A cash customer, on the other hand, is more difficult to please and has little or no loyalty as he buys where he gets the greatest bargain.

Some may ask "Is this the time to promote credit business?" It is my opinion that it is always a good time to promote credit business. Accounts which are lost throughout the year for the reasons mentioned must be replaced and as they will not automatically be opened, an effort must be made, so the aggressive manager of credit sales will always seek new credit business on a sound basis.

Summarizing, managers of credit sales must find ways and means to replace the accounts lost every year and must add to the list in order to continue to add to the growth of the store; second, explore every possible means to win back those who cease temporarily to use their account and third, use every effort to induce greater use of the accounts currently on the books:

1. Get new accounts.
2. Keep the old.
3. Sell more goods to all, and you will be a successful manager of credit sales. ★★★

What Does Management Expect of the Credit Manager?

BERNARD EYGES, Assistant to Executive Vice President, Leopold Morse Co., Boston, Mass.
***President,* District One, National Retail Credit Association**

NOT SO LONG ago, the average credit manager was merely a glorified bookkeeper; one who was adept at the handling of a set of ledgers and acquired the added duties of the opening and closing of accounts receivable. As the years rolled by and general conditions changed, merchants began to realize that the business of conducting a credit department was, and should be, a separate department, manned by experienced persons, well versed in the intricacies of granting credit and its many ramifications. As in every well-organized department the key person in the credit department is the credit manager, its guiding force.

The modern credit manager has developed into quite a character, and because of the faster tempo in this present everyday life he or she, of necessity, has found it necessary to acquire added qualifications in order to effectually carry on the success of the department.

1. *He should be somewhat of an economist.* He cannot close his eyes to changing economic conditions. He cannot dismiss national or local economic problems as being somebody else's problems. They are surely his problems to be pondered over, and analyzed, as to how they affect his business. Sure, he may not solve them even if he does apply all his "know-how," for many conditions are beyond him, but he must at all times *be fully aware of them,* for if he ignores them, and buries his "head in sand" like the ostrich, time will catch up with him eventually and he will find that ignorance of these factors will not excuse him.

2. *To keep abreast of the many problems arising momentarily* the credit manager must have unlimited patience, poise and courage. Fellow workers all follow the examples set by their leaders and their conduct generally reflects the actions of those over them. If the credit manager is to inspire his organization he cannot be one who is jittery, quick-tempered, or *faultfinding or abusive.* The days when any executive can control by force or violence in word or action are gone, and gone forever. He must be one who can quietly and intelligently handle the given situations patiently and render decisions for the most part equitably and justifiably. He must be able to say "No" in just as pleasant a manner as he says "Yes." He must be able to decline a request in as gracious a manner as he grants one.

3. The modern credit manager is *responsible for collection of all sales that are not paid for at once,* and, in a good many cases, he is also responsible for the handling of the cash obtained in cash sales, layaways and C.O.D.'s. He is responsible for the proper recording of all these transactions, charge accounts, budgets and instalment accounts. He, as well as management, should keep ever in mind that old but accurate credit manager credo: "The profit is in the collection, not in the sale." Therefore, he must have specific knowledge of credit granting, authorizing and collections. This means of course that he must keep the records of the store's accounts in efficient control by consistent personal contact with these factors. He should be versed in accounting practices, not necessarily be a C.P.A. but sufficiently versed in accounting to cope with the constant changes arising in posting media, averages, figures, etc.

The credit manager must be *expense conscious* and in this regard I do not mean that he must be penny-wise and pound-foolish, but that he should carefully plan his department so that he can operate it at the lowest possible cost and still be efficient. By eliminating waste and needless expense which often creep into a department almost unnoticed and by a careful selection of personnel and clerks he can eliminate duplication of effort, and unnecessary motions. By careful and constant study of his operating costs methods and procedure, he can organize and conduct his department so as to be able to handle an increase in sales volume without too many extras. In this "5 day week" era, every person hired must be relieved in some way or other, when absent, away on day off, reliefs and other emergencies. By careful planning he can operate his collection system by either phoning when that is necessary or writing when that is necessary, all depending on the given situation. He should operate his department as if he owned the accounts, and was looking for a profit.

4. *He must be creative.* Since collections are most vital to the success of any business, the credit manager must be creative enough to keep changing his system of dunning notices, the types and styles of letters used in dunning, the types and styles of bills used in billing. He should be one who is constantly suggesting new ideas in the opening of new accounts. Merchandising is first and foremost in the minds of all top store executives and should be at all times. Because credit generally runs from 40 to 80 per cent of the total sales volume the credit manager should at all times be thinking in terms of added credit customers, how to get them, and how to retain their business. He should have at his finger tips what other merchants are doing to increase the charge business, not necessarily in ratio to cash business but in dollars. Since he is the person who has contact with most of the charge customers, he can transmit to management many of the complaints as to merchandise, etc., that the merchandise men may tend to hide or cover up.

Credit Is a Selling Operation

5. The credit manager *should make credit a selling operation.* His job is not merely a *collecting* operation, but rather to also bring business into the store so that his employers may get the greatest percentage of the potential dollar of the consumer in his particular line of business. The store that gears its machinery to the increase in charge customers is the one that generally leads the procession. When we think in terms of large organizations conducting operations running into 50 million dollars or more annually at the ratio of 75 per cent charge business, you can see at once the importance of keeping the dollar volume of your charge accounts at as high an amount as possible.

In connection with charge sales promotions, many problems arise. Shall the store adopt a personal or door-to-door account solicitation? What has been the experience in this type of campaign in the same districts generally? How costly is it, and what are the prospects of business, and is the effort worth it? Shall the store engage in an employee solicitation of new accounts and what are the evils in connection with this campaign? Have other stores done it successfully? Perhaps it is advisable to engage in a direct mail campaign several times a year. If so, shall it be advertising or offering merchandise bargains in order to bring the paid-up customer back into the fold and also to secure new patrons by means of charge accounts? What are the results? Do they run 5 per cent or more?

Some stores engage in newspaper applications. What are the results of this type of account solicitation? Shall the merchant offer easier terms in order to bolster a sagging receivable? *These are questions that management expects the credit manager to answer.*

6. Management expects the credit manager to be *among the most important key persons* in the *organization*, and the credit manager who is as "Sales minded" as he is "credit minded" should get his reward by promotion to top management. Inasmuch as credit is based upon the customer's ability to pay, the credit manager's job is to keep the account open, consistent with this fact. It is his job to keep his employer liquid by proper handling of accounts, and at the same time keep the customer's account liquid, so that he can take advantage of your promotional activities, wherein you seek to increase volume.

Today, with changes occurring daily, stores require the credit manager to be an alert, sales-minded executive, well trained in economics, accounting and finance. He should be experienced in sales promotion practices, have organizational ability and have a general understanding of the psychological factors underlying customer relations.

Because we are thinking of the next 10 years or longer, the credit executive finds himself in a most enviable position. With top management crying for more business, more efficiency and more economical means of operation, the credit manager faces the opportunity of answering their challenge, and again the credit executive who does this should find himself elevated to the top echelons of management.

Management expects the credit executive to be fully aware of everything that can affect his accounts receivable. Of course he is not a police officer, or a judge, but often finds himself in the position of trying to temper justice with mercy. He should also be world conscious.

He should belong to credit organizations and sufficient civic and fraternal organizations to develop a "feel" for his surrounding conditions and acquire information about people, conditions, systems, equipment and other newer developments so as to be able to discuss intelligently any new venture. Also, if the credit executive can develop himself into an even and balanced disposition he will be a most valued member of your organization. The perfect credit executive may not be attainable, just as the perfect human being may not be, but management cannot be blamed for trying. ***

Credit Problems of the Dentist

George B. Allan

***Manager,* Credit Bureau, Inc., Springfield, Massachusetts**

THE GRANTING of credit and collection of money due does not seem as simple a task for doctors as it is for credit granters in most lines of business. A person is not imbued with the same emotions when he contracts a dental bill as those which motivate him to purchase such things as furniture, automobiles, clothing, etc., on credit terms.

Pain and anxiety usually drive a person to the doctor and not the desire and exhilaration attendant on the selection and purchase of most goods and services available on credit terms. Professional ethics do not afford the doctor an opportunity to be too choosy in selecting his charge customers. For example, he cannot advertise a "leader" for sale at a reduced price for the purpose of attracting credit applicants from whom he may select only those who have established a good record for paying bills promptly.

The doctor attracts and expands his patronage by demonstrating his skill, techniques and by his radiating personality. These are supplemented by modern tools and equipment, suitable office location, adequate furniture, fixtures, etc. The personality, capability, training and efficiency of a doctor's employees are of paramount importance.

The Doctor's First Obligation

The general public believes that doctors are always willing and perhaps obligated to do what they can to alleviate suffering as their first consideration. After a diagnosis is completed, with the patient's emotions somewhat stabilized, the doctor can usually offer his advice and recommendations on assumption that he enjoys the patient's confidence.

There is a saying often repeated in credit circles, that "an account is half collected if it is properly opened." This simply means that care must be exercised to make certain the customer knows the amount of the obligation he is assuming, the manner in which he prefers to discharge it, and the terms under which credit is extended.

Writing up credit data concerning a patient should be an established routine in every doctor's office. People are now accustomed to giving information about themselves everywhere merchandise and services are furnished on credit terms. Credit application forms may be filled out either by casual questioning or by permitting the customer to fill out a form himself. Stores now have credit application forms available in places where customers cannot avoid seeing the invitation to "Take one." Placing such forms with suitable printed instructions in the waiting room of a doctor's office does not seem out of place. Many dental and medical offices conduct a credit counseling procedure simultaneously with the registering of new patients.

The three C's—Character, Capital and Capacity—are construed in retail credit circles as posing three questions about credit applicants, that is: Can he pay? Will he pay? Can he be made to pay? Those asserting they have been successful in discerning the correct answers to these questions by using the so-called "eyeball" method, have been plain lucky.

A doctor can eliminate most of the guesswork in judging an individual's credit responsibility by obtaining a credit report from his credit bureau. The amount of dental work to be performed, and when, may be based on the patient's capacity to pay as revealed in the credit report.

If the report indicates the customer does not qualify for the amount of credit involved, additional information should be requested which may tend to show he can, without undue hardship, discharge the pending obligation on the credit terms established. It is desirable to follow this procedure in cases where the customer may sign a note intended for discount at a bank, finance or loan company. Otherwise, should the note be rejected, the doctor is out of pocket for any services performed prior to receipt of unfavorable decision from the discount agency. If every note is accepted that is presented, it may be on the strength of the doctor's endorsement, in which case the doctor will be required to make good any deficiency. If notes are taken without endorsement, the discount rate is made high enough to cover possible losses. There is no need to gamble on a note's being rejected by a discount agency and risk the loss of a patient's patronage who could be counseled as to ability and financial circumstances before his note is taken for discount.

It should be acknowledged that a doctor joins the classification of a "credit granter" whenever a patient does not pay at the conclusion of any visit at the home, office or hospital for which a fee for professional services is payable. The majority of people are considered honest and intend to meet their obligations promptly as agreed, but losses which may result from extending credit to a small minority may mean the difference between financial security and real difficulty. It is an established fact that you can do more business if you give credit but you must collect your bills to make progress or even remain in business.

Abide by Ethics of the Profession

It is considered possible to abide by the ethics of the profession and still direct that percentage of your time, effort and money which you wish to allocate to charity. Through the use of credit reports you may even choose the recipients of your charity rather than permit unscrupulous persons to take advantage of your position.

The information a credit bureau has accumulated in its files on individuals is usually sufficient to determine immediately the degree of risk involved in extending credit to any patient, and, remember, the bureau is just as close to you as you are to your telephone. If there is insufficient information quickly available in file, the bureau can get it promptly without jeopardizing your interests in any manner. The bureau never reveals the identity of

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Address before the Valley District Dental Society, affiliate of Massachusetts Dental Society and American Dental Association, at the Hotel Roger Smith, Holyoke, Massachusetts.

either an inquirer or a source of information to anyone without consent.

The credit bureau report, when complete, reveals such pertinent information as:

1. Age and marital status.

2. Length of residence in community and previous location.

3. Whether applicant rents, rooms or owns home.

4. Whether applicant moves often, with creditors having difficulty catching up.

5. Occupation, where, how long, income and future prospects.

6. Past performance in paying obligations of every description.

7. Court cases and other items of public record.

In classifying credit risks, the age is important, for if the applicant is under 21, an approval is usually required of the parent or guardian. When a person approaches the retirement age, a drastic financial readjustment is usually pending and the question of life expectancy may also be of consequence. Married men on the whole are more stable than single men. The report reveals if the husband has declared he will not be responsible for payment of any debts contracted by his wife. The importance of the balance of above-mentioned items seems apparent.

There are too many varieties of credit risks to mention them all, but a few of the most common are:

1. Those who seek all the credit they can obtain with no intention of paying because they are legally collection proof.

2. Those whose income is not sufficient to permit them to do more than meet their current living expenses by paying cash for minimum needs.

3. Those who receive a good steady income but through improvidence and lack of common sense are continually harassed by bill collectors.

4. Those of some prominence in social and business or professional circles whose credit records reveal they are poor payers for one reason or another and often collection proof.

Credit Ratings for Classified Occupations

Several institutions have compiled average credit ratings for classified occupations. One such was prepared by Robert Hancock, University of Illinois, which shows Physicians, Surgeons and Dentists way up in fifth position with an average of 89.3. Business executives have the highest rating, 90.9. This difference is only 1.6 per cent between first and fifth positions. Farmers and Laborers are at the bottom of a list of 42 classifications, with an average rating of 60.3.

Regardless of the care exercised in granting credit, because the social and financial circumstances of individuals are subject to change, quite suddenly sometimes, the credit granter must anticipate having some collection problems and the magnitude of same will depend on the liberality of his credit policy. The general manager of a large store recently informed me that he had asked his credit manager to be more liberal in credit decisions, to give more borderline applicants the benefit of the doubt. Because of high collection percentages and low bad debt loss the store was experiencing, the general manager believed the store could afford to expand credit sales without changing its credit terms.

How important is this subject to the dental profession? There are no records available to my knowledge with which to compare your experience with other credit granters who are doing business with your patients. I know from 35 years' observation and experience that people in financial distress usually owe dental and medical bills and when interviewed they usually overlook mentioning the professional obligation until prompted.

Collection percentages are figured by dividing the

patient's gratitude is a transient thing and with lapse of time the fee may appear all out of proportion to the benefit actually administered. Most disputes arising between professional men and their patients result from lack of a clear-cut understanding from the beginning as to the fee to be charged.

An ever increasing number of credit granters are adopting the use of an age analysis form which may serve as a trial balance and a collection follow-up. It is also of considerable help in estimating an amount to be placed in "Reserve for bad debts," preparing income tax returns and other accounting procedures. A column is provided on the form for recording when and what collection

(Turn to "Credit Problems," page 17.)

Collections

MRS. LILLIAN REYNOLDS, ***Divisional Credit Manager,*** **Bullock's, Los Angeles, California**

THE WORD collections does not mean the same thing to me that I think it does to a controller or some credit managers. To them, I think it means a percentage figure at the end of the month. If it is 60, everybody's happy. If it slumps to 57, we all wonder what is wrong. I think to them collections means so many

AVY

GES

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Cycle Billing may have problems; billers may get behind schedule; cash may not be filed as rapidly as we might wish; errors of a purely human nature crop up; but are not those the same problems that plagued the credit office under monthly billing? Cycle Billing may not eliminate all of them; but neither did it originate or increase them.

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There is one daily task we perform in this division that pays dividends. The mail desk sends us each day all bills ready for mailing, with balances over $200.00. We inspect the accounts involved when it seems indicated and are thus able to discover, several weeks early, accounts that need immediate attention . . . build-ups, over-extensions, new or reactivated accounts going too high, and the like.

The psychological approach to the transition of an account from the Credit Bureau to the Collection Department (when it is about 4 months old) interests me. A letter goes out signed by the Credit Department telling the customer, so gently and courteously, that for her own

either an inquirer or a source of information to anyone without consent.

The credit bureau report, when complete, reveals such pertinent information as:

1. Age and marital status.
2. Length of residence in community and previous location.
3. Whether applicant rents, rooms or owns home.
4. Whether applicant moves often, with creditors having difficulty catching up.
5. Occupation, where, how long, income and future prospects.
6. Past performance in paying obligations of every description.
7. Court cases and other items of public record.

In classifying credit risks, the age is important, for if the applicant is under 21, an approval is usually required of the parent or guardian. When a person approaches the retirement age, a drastic financial readjustment is usually pending and the question of life expectancy may also be of consequence. Married men on the whole are more stable than single men. The report reveals if the husband has declared he will not be responsible for payment of any debts contracted by his wife. The importance of the balance of above-mentioned items seems apparent.

There are too many varieties of credit risks to mention them all, but a few of the most common are:

1. Those who seek all the credit they can obtain with no intention of paying because they are legally collection proof.
2. Those whose income is not sufficient to permit them to do more than meet their current living expenses by paying cash for minimum needs.
3. Those who receive a good steady income but through improvidence and lack of common sense are continually harassed by bill collectors.
4. Those of some prominence in social and business or professional circles whose credit records reveal they are poor payers for one reason or another and often collection proof.

Credit Ratings for Classified Occupations

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Collection percentages are figured by dividing the amount of accounts receivable outstanding on the first of the month into the amount collected during the month on these accounts. Figuring the percentage charged off to bad debts should not be much of a chore. A record of profit-and-loss accounts is kept for federal income tax deduction. This figure divided by the amount of fees entered in the accounts receivable ledger during the year should give the correct answer.

Competition for Consumer's Dollar

Competition for the consumer's dollar is terrific. Every conceivable and available medium is used to attract people to buy something or other which widely varies as to utility, serviceability and necessity for the comfort and welfare of the purchaser. Collection pressure is applied on a parallel scale with every effort being extended to obtain payment before the need, usefulness and pride of ownership have waned. The debtor is seldom permitted to forget the credit terms and is quickly and persistently contacted by mail, telephone and personal visit if payments are not made according to agreement.

It is generally conceded that a debtor's "purchase by cash" trade with his creditor ceases during such time a balance owing is delinquent. To save patronage and good will, a credit report is a good investment for you to make when a debtor starts offering excuses instead of cash or does not heed your requests for payment.

In your collection procedure you stress the sacredness of a promise and state your confidence that the debtor has sufficient honor to do the right thing. Your demands increase in severity with the passage of time because the collectibility of an account diminishes accordingly. The depreciation in value of accounts receivable is 33 per cent in six months, 55 per cent in one year, 77 per cent in two years, 85 per cent in three years and 99 per cent in five years, according to statistics issued by the United States Department of Commerce.

The depreciation of accounts is even more rapid when only services and not tangible goods are involved. A patient's gratitude is a transient thing and with lapse of time the fee may appear all out of proportion to the benefit actually administered. Most disputes arising between professional men and their patients result from lack of a clear-cut understanding from the beginning as to the fee to be charged.

An ever increasing number of credit granters are adopting the use of an age analysis form which may serve as a trial balance and a collection follow-up. It is also of considerable help in estimating an amount to be placed in "Reserve for bad debts," preparing income tax returns and other accounting procedures. A column is provided on the form for recording when and what collection

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But I spend eight hours a day, every day, in collections and usually I do not see the forest; I just see the trees, the different, highly individual trees that make up the forest. All these contacts of mine have something in common. They have not paid their bill. And just about there the similarity ends.

To me, collections means a woman who owes $39.00 to us. She has been off work three weeks with flu; she thinks she will need three months to get caught up. It is my job to help make it in two months instead. To me, collections means a family that felt prosperous and splurged at Christmas. Fine, except that the first week in January, word came he was to receive no more overtime. His regular-time pay just about covers the rent and grocery bill. I notice that nationally overtime pay has dropped $5,000,000 per week since November. I know it without reading it as many customers are telling us.

Collections means the occasional build-up who did some fast shopping the last two weeks—$500.00 worth of merchandise including some good luggage—and skipped to parts unknown. It means the woman who woke up the other day to the fact that she would never be able to get all her bills paid, in the next five years. Somewhere she heard the phrase "Bankruptcy Relief." She phoned a lawyer to ask how it worked. We filed her Bankruptcy claim today. I say "her." Have you not noticed that more and more women are getting into the Bankruptcy Courts?

All these little $50.00 and $80.00 and $400.00 units added together make for me the composite picture of collections. But it is a Crossword Puzzle picture, made up of hundreds of little pieces, all shaped differently. Each must be taken up separately, and studied and handled separately. I handle, in one way or another, about 150 of them every day.

Bullock's adopted Cycle Billing early in 1951. Took about three to four months to get collection percentages back to a normal basis, and to get the various factors including collection functioning smoothly. I think Cycle Billing works well for the Collection Department. I cannot see how anyone could disagree on that. Peaks and valleys are eliminated; work can be kept at a steady, even flow all month; and dunning schedules may be spaced to best advantage.

Cycle Billing may have problems; billers may get behind schedule; cash may not be filed as rapidly as we might wish; errors of a purely human nature crop up; but are not those the same problems that plagued the credit office under monthly billing? Cycle Billing may not eliminate all of them; but neither did it originate or increase them.

Our billers drop a green flasher card in the pocket of an account that shows a past-due balance. About two weeks after the bills are mailed, a corps of six women collection analysts inspects all accounts with green flashers, all memorandum accounts, and brings to date the information on accounts the Divisional Collection Managers are working on.

If the green flashed account is in the dunning stage (15 or 45 days past due), the analyst mails her a form dun letter, at the same time dropping in her ledger packet a second dunning notice to be sent with the next bill two weeks later. That is one of the things you can do with Cycle Billing; you can schedule two collection notices, well spaced two weeks apart, with the effort, time and expense of one dunning trip. (In the meantime, if the customer pays, the file clerk just withdraws the notice when filing the cash.)

If an account balance is four months old, or earlier at her discretion, the analyst types a Tickler with salient account information, for referral to the Divisional Collection Manager. In addition to a Collection Manager, whose work is basically supervisory, we have three or four Divisional Collection Managers, usually three, working on accounts intensively. We use phone calls, form letters, dictated letters, telegrams, calls by an outside firm, consultations in the office. When the oldest portion of an account is six or seven months old, we charge it off to Profit and Loss and ask for the return of the Charga-Plate. But we keep working on it. If we are not getting to first base, we send it over to RMCA Collections to see if they can do a better job than we are doing.

Dividing Work on an Alphabetical Basis

If you have more than one DCM in a cycle billing operation, you cannot divide their work on an alphabetical basis. If you do, with three men, one is swamped one-third of the month and marking time the other 20 days. We divide equally and code 1-2-3-1-2-3 each day's supply of new Ticklers; thus each person is responsible for about the same number of collection accounts in each cycle.

There is one daily task we perform in this division that pays dividends. The mail desk sends us each day all bills ready for mailing, with balances over $200.00. We inspect the accounts involved when it seems indicated and are thus able to discover, several weeks early, accounts that need immediate attention . . . build-ups, over-extensions, new or reactivated accounts going too high, and the like.

The psychological approach to the transition of an account from the Credit Bureau to the Collection Department (when it is about 4 months old) interests me. A letter goes out signed by the Credit Department telling the customer, so gently and courteously, that for her own

good her account is being transferred to the Collection Department and Mrs. Reynolds has been asked to give it her personal attention. If the customer can, she pays the bill just then.

Customers are people, like you and me. I do not like Collectors, do you? I do not like the Internal Revenue Bureau, though I like the FBI. I do not like Skip Tracers asking about someone I know personally.

Customers feel the same way. Credit they love; it is the lifeblood of their economic existence. The Credit Department and the Credit Manager are their friends: they like to quote them and to refer to them. But collection connotes something not nearly so pleasant.

That is why they pay them if they can. If we are at fault somewhere, their righteous indignation is directed to the Collection Department. Perhaps they paid and we had not got the receipt in file. Perhaps there is an adjustment we did not know about. Perhaps they expect preferential treatment because as little girls they came with their mothers to Bullock's the day it was opened in March 1907.

Whatever the situation, it is our job to handle these and all the other customers so that we get the money fast as we can, retain their friendship for the store, develop a wholesome respect for our credit policies, and a sense of pride in their own good credit record. Sometimes we succeed. Sometimes we are privileged to do really constructive work.

A professional man in his late 60's owed a small bill. He had retired in ill health several years ago. Suddenly his investments went bad and he lost everything. At his age and in poor health he went out to look for a minor job in his former field. It took him four or five months to pay his little bill but he kept in touch and we occasionally wrote him an encouraging letter expressing confidence in his integrity. After the bill was paid he came in to tell us that our attitude had more to do than any other factor in his maintaining his courage and self-respect during a trying period.

We owe it to our profession to be particularly conscious of the responsibility of getting young people started out with good credit habits. A 16-year-old girl bought $500.00 worth of merchandise on her father's account just before Christmas several years ago. The father disclaimed responsibility, after which he refused to talk to us or to answer letters. The stepmother was hostile. The girl left home. In some way we learned she had gone to live with an aunt in a nearby town. We got in touch with the aunt and the girl and through their cooperation collected the whole amount over a 14 month period. Collecting the money was important, but what really mattered was the way it was done. The girl got a job after school and on Saturdays and contributed the bulk of her pay toward the bill. The aunt helped some and, with some pressure of her own, got a little help from the father. The girl finished school, is married now to a nice boy and has a new baby. She holds her head a little higher; she is so proud of having recognized an obligation that looked insuperable, and of having conquered it. I am sure she will make an excellent credit risk for the next 40 years.

It is our good fortune that almost everyone is basically honest. Otherwise we would never be able to solve these problems that confront our credit departments. There is one thing, however, that I do not think is a problem. That is the sex of the collector. I do not doubt but that customers sometimes tell you men that they prefer to deal with a man. The reason I do not doubt it is that they often tell us "I'm glad Bullock's let a woman handle my account. She understands my problem." We take it with a grain of salt. I do not recall a specific instance in a collection contact where I felt that being a woman was a disadvantage.

I cannot recall talking to a male customer who seemed self-conscious or inhibited. The men almost invariably laid on the table, unasked, the detailed economic pattern of their lives—their take-home pay, how much they still owe on the car, the monthly payments at the finance company, and how much they send each month to their parents back east.

Women customers are the vague ones. It is the woman customer who thinks she has made satisfactory arrangements when she has said she will pay "as much as she can as soon as possible." There is a lot of detail work in collections, at which women are thought to be efficient. Patience, tact, understanding, perseverance, stick-to-itiveness are required. Neither sex has the monopoly on these qualities. There is a place in collections for men and women both and I do not think the line of demarcation is clearly defined. With COLLECTORS AS WITH COLLECTEES, it is the INDIVIDUAL that counts! ★★★

How the Credit Department Can Increase Its Efficiency

A. S. ROBERTS, ***Credit and Adjustment Manager,*** **Kresge, Newark, New Jersey**

WE HEAR so much talk in retailing these days of efficiency. What is efficiency? Webster defines it as "effective operation as measured by a comparison of production with cost in energy, time, money, etc." These words seem to me to say: getting the most for the least. Applying these thoughts to our Credit Departments, efficiency means maximum credit sales volume, good collection turnover, high levels of customer relations and minimum expense. This sounds easy. All we need is the "know-how," a couple of good assistants and staff.

Let us take the credit operation apart and take a bird's-eye view of credit extension, credit sales promotion, accounts receivable, collection and adjustment—and try to determine what we can do to increase efficiency and service in each.

An efficient credit operation requires that the credit plans you offer fit in with the habits, desires and economic levels of your customers. Your credit plans must contribute to the movement of your merchandise to your consumer. No store can successfully merchandise furniture, carpets, appliances and television without liberal long-term installment plans. Your credit plans must be just as competitive as your merchandise and price lines. If your competitor is selling men's clothing on a three-month plan with no service charge and you do not, you should seriously consider introducing the plan. The fact that you may be a department store and your competition a men's specialty store, should not alter your thinking.

A measuring stick for the efficiency of any credit plan is profit. Is the sales volume achieved through a particular plan sufficient to warrant the expenses incurred in the maintenance of this plan? Recently, the management of our store decided to eliminate the shopping coupon plan. Our volume on this type of account had been decreasing each year. All expenses were considered; supplies, credit office man-hours, accounts receivable, cashier's man-hours, central cashier's man-hours, accounting office man-hours, and collection expense, including bad debts. The conclusion was inescapable that this plan was no longer profitable to us. This, of course, does not mean that the coupon or scrip account is not profitable in many stores. I am sure that it is but it is not profitable in our store any longer.

The forms you use can contribute to your efficiency; or should we say that the forms you do not use can contribute to your efficiency. I know of a store that has eliminated the conditional sale contract on its long-term accounts. Probably every one of you has either eliminated or simplified several of your forms during the past year. It is a task requiring a factual approach.

What has been said about forms goes double for procedures. Simple procedures can eliminate many man-hours of work. Each step in a procedure has to be examined. The questions "Can we do without it?" and "Can we do it a better way?" have to be answered "No" before that step can remain unchanged. The area of coordination of credit offices and Credit Bureaus is a fertile one for improving procedure and reducing cost. The increased use of "in-file" information and the spread of selective screening service are two examples of increased efficiency in this field.

Our credit extension operation is only as efficient as our personnel. Let us ask ourselves a few more questions. Do our credit interviewers know the details of our various credit plans thoroughly? Can they explain them simply and clearly to our customers? Can they skillfully steer each customer into the plan best suited to that customer? Do they know when to get a great deal of information from an applicant and when a minimum will suffice? Do our new account supervisors know what to look for in a credit report? Are they familiar with such danger signs as the pyramiding of installment loans and contracts which is prevalent today? Can our authorizing clerks spot the load-up account quickly or are they just automatically "O.K.'ing" charges because there is a ledger card in file? Affirmative answers to these questions mean an efficient operation. Negative answers mean that there is need for an intensive training program.

Tied in closely with the function of credit extension is the credit sales promotion function. There seems to be a great deal of conjecture in this field and little facts. Every credit executive seems to be able and willing to tell you how many thousands of accounts his department solicited, but most of us are unable or unwilling to reveal how many of these accounts bought and how much. The most expensive account you have is not an account at all. It is a prospect whose name and address cost you $2.00-$3.00 to put in your files but to whom you have never had the privilege of sending a bill.

Briefly, I would like to tell you the experience of our store with various types of solicitation:

1. Employee solicitation—80 per cent activity.
2. Solicitation of charge accounts from paid-up installment customers—40 per cent activity.
3. Door-to-door solicitation by outside agency—40 per cent activity.
4. Solicitation of new residents and home owners—30 per cent activity.

The average annual purchases for each classification of account was as good if not better than the average of all accounts on our books. Net purchases ranged from $125.00 to $135.00 a year.

Solicitation of C.O.D. customers, brides and business executives has been completely unsuccessful. Advertising for accounts by putting application coupons in the newspaper has never produced results that justified the cost. On the other hand advertising specific credit plans and terms with merchandise ads has been successful.

In the Accounts Receivable Department we have functions such as billing and filing which lend themselves to productivity measurement. The N.R.D.G.A. Credit Management Division publishes an annual study of Accounts Receivable operations which is valuable. The Controllers' Congress of the same association has organized a figure exchange based on the principles of pro-

duction unit accounting. Among the departments included in the exchange are Accounts Receivable Credit and Bill Adjustment. The factors included in the exchange are relative workload, rate of productivity, effective pay rate and expense percentage to sales. Analysis of all these factors provides the answer to the question of why the expense ratio of a particular department in a particular store is higher than that in another.

The best way to learn how the other fellow gets better productivity than you do is to visit his store and observe his techniques, his machines and equipment. This story will illustrate how such visits can be mutually profitable. The controller of one of the stores participating in our figure exchange was intrigued with the idea that we were using a one-card system instead of the usual two in our cycle files. He sent his credit manager and accounts receivable manager to see the setup. They pointed out to us how we could further increase our space by substituting a less bulky but equally durable divider for the one now in use in the files. Both stores are working on the new ideas. I feel that the free exchange of data on productivity and operating techniques is one of the quickest and surest ways to increased efficiency.

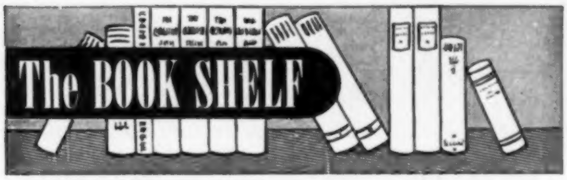
Declining collection ratios, higher delinquency rates and increased bad debt losses loom in 1954. Every stage of the collection operation beginning with preliminary dunning and ending with the attorney or collection agency must function with greater intensity to combat these trends. Ways and means must be found to review all our accounts more frequently and to concentrate on the larger accounts. In our store we have found that the most effective means of covering our past-due accounts each month is to hold these bills aside, review the ledger and insert the appropriate notice in the bill.

With Banks, Loan Companies, Finance Companies and Credit Unions all competing with the retail stores for the debtor's dollar, our senior collection personnel are going to have to do a more effective job. Telephone work will have to be stepped up. Letters will have to be revised and strengthened. Increased use of personal visits to debtors' homes and collection telegrams to distant debtors with large balances will have to be considered. It also is advisable to review the work of your attorneys and collection agencies during 1953. What collection percentage did they achieve on your claims? If the figure is too low you should probably consider a change. Every one should pull his weight in the collection boat.

There is one basic collection principle which I feel should be stressed for retail stores: if a customer is making a sincere effort to liquidate his account and his payments are in reasonable proportion to his balance, the store should go along with him. A bank or loan company may sue a debtor three or four months past due, but a retail store's collection department should be sure that the customer cannot or will not make reasonable payments before it places an account with an attorney or collection agency.

Both the Bill Adjustment and Merchandise Adjustment sections present a challenge to the retail store in its handling of customer relations. If the wrong type of personnel are used in these sections, much good will can be lost and many good accounts closed. Bill adjustments of five dollars or less should be made promptly for the customer with a minimum of investigation. Experience proves that the requested adjustment is actually due the customer 95 per cent of the time anyway. Prompt bill adjustments help collections since customers frequently hold up payment on a large balance until one small item is corrected.

In most stores merchandise adjustment is not under the credit manager's supervision. The two departments should be closely coordinated however. When a good charge account is involved, the credit manager should be consulted before a final decision is made. The same principle holds true when the collection of a large balance will be affected by the handling of a merchandise adjustment. ★★★



Biography of a Bank (Harper & Brothers, 49 East 33rd Street, New York 16, New York, 566 pages, $5.00). This is the story of the world's largest bank, and the amazing career of the Gianninis, father and son, who trampled on old-fashioned conventions to make the Bank of America not only a mighty institution but the servant of millions of plain people as well. With headquarters in San Francisco, Amadeo P. Giannini began his Bank of Italy with numbers of small farmers, mostly of Italian descent. After the great fire and earthquake of 1906, larger banks were forced to close their doors but Giannini set up two planks on the Washington Street wharf and continued to build new business. By 1930, when the name was changed to Bank of America, he had blazed a trail up and down California, developing local agriculture and commerce through his system of strong branch banks. This book, by Marquis James and Bessie Rowland James, is of interest to all credit executives.

The Dictionary of Business and Industry (B. C. Forbes & Sons Publishing Co., 80 Fifth Avenue, New York 11, New York, 561 pages, $7.95; with thumb index, $8.95). This dictionary, edited by Robert J. Schwartz, clearly defines 45,000 business and legal terms. The idea for the dictionary came out of the editor's search for a business dictionary to fit the needs of a client who wished to distribute it to his 400 branch offices to standardize business terminology. In addition, the dictionary contains 36 pages of valuable time-saving charts and tables such as Coins and Notes of the World, Foreign Weights and Measures, Weights of Materials, Foreign Trade Definitions, Conversion Factors, Square Cubes, Square Roots and Cube Roots, Units of Measurement, etc. This dictionary should become a "must" for every office in the land.

1954 Pay Almanac (Business Reports, Inc., One Main Street, 166 pages [8½" x 11"], $12.50). The coming months pose the biggest challenge to intelligent pay planning management has faced in years. This is the first year since 1949 when the accent is on normal peacetime output instead of defense production, yet workers will not recognize this fact in making pay demands. Moreover, it will be the first time in five years when there will be more workers than jobs, yet top talent will remain scarce, and management must continue to devise new and imaginative ways to attract and hold key personnel, according to this Almanac, a new research study by William J. Casey, J. K. Lasser and Walter Lord. It surveys the major problems and opportunities in rank and file and management pay during 1954. Over 50 of the 166 pages present comparative data designed to help management set intelligent pay policies for executive, office and production groups.

CREDIT FLASHES

James R. Hewitt

It is with sincere regret that we announce to the credit fraternity the death of Past President James R. Hewitt, on June 30, 1954, at the Union Memorial Hospital, Baltimore, Maryland, after a short illness. He would have been 74 years old in August. "Dick" as he was known by his host of friends was born in Louisville, Kentucky, and continued his interest in Kentuckians as President of the Kentucky Society of Baltimore. He was also a former President of the Lions Club. For over 20 years he was Credit Manager of The Hub, Baltimore, and since his retirement was a hearing aid consultant. He was a Past President of the Credit Bureau of Baltimore, the Retail Credit Association of Baltimore, and in 1928-1929 was President of the National Retail Credit Association.

Mr. Hewitt was a Past Master of the Concordia Lodge No. 13; a member of Boumi Temple of the Shriners; and of the Chesapeake Consistory, Scottish Rite. He is survived by his wife, four children and 13 grandchildren. The Officers, Directors, and members of the National Retail Credit Association join with his many friends from coast to coast in extending to Mrs. Hewitt and his family, our sincere sympathies.

Sidney L. Williams Retires

Sidney L. Williams, Credit Manager, James McCutcheon & Co., New York, N. Y., retired recently after 43 years of service with the Company. At a meeting of the Associated Retail Credit Men, the members presented him with an Argus camera and a life membership certificate in the National Retail Credit Association, in recognition of his long and faithful service to the Association and to the Credit Bureau. "Sid" made a short speech of appreciation, saying he expected to travel a great deal during his retirement, but would be around to see his many friends in the profession occasionally. The N.R.C.A. wishes him many years of health and happiness in his well-deserved retirement.

Seattle Elects John H. Gormley President

John H. Gormley, Vice President and Supervisor of Credit, Installment Credit Division, Seattle First National Bank, was elected President of the Retail Credit Association of Seattle, Seattle, Washington, at a dinner meeting June 9, 1954. Other officers elected were: Vice President, Joe E. Moore, Diesel Oil Sales; Treasurer, Robert D. Hannah, The Bon Marche; and Secretary, Myron T. Gilmore, Seattle Credit Bureau. Directors: John V. Kingsley, West Seattle National Bank; Frank W. Walkrup, Tidewater Associated Oil Co.; Perry Bourlier, Carnation Company; Paul Hungerford, Seattle Trust and Savings Bank; and James E. Lee, The Texas Company. The Seattle Association, with a membership of 850, is the sixth largest unit of the National Retail Credit Association. Plans for the coming year include continuation of the educational program, highlighted during the past year by the Sterling Speake Credit School and launching a "Pay Your Bills Promptly" campaign.

Portland, Oregon, Presents Credit Skits

The Credit Granters of Portland, Portland, Oregon, recently presented their first showing of a credit skit designed for high school and junior college students. It was written by Frederic Skillings, N. T. Fox Co., and Kenneth Swan, Public Loan Corp. It takes 40 minutes to present and covers three different credit applications: 1) to a department store by an individual with a favorable credit record; 2) to a department store by an individual with a slow credit record; and 3) to a lumber company by an individual whose credit record has been good, but who has overextended himself. In developing this theme, it is pointed out how the individual may borrow from a commercial bank, credit union, or a small loan company. In all cases the value of a prompt credit record is stressed and the part of the Credit Bureau in controlling credit and preventing sales to bad risks is brought out. The first presentation was made to the students of the Portland Junior College and was enthusiastically received. The students indicated their interest by the manner in which they watched the skit, and from the questions they asked after the skit was completed.

Next Annual Conference

The 41st Annual International Consumer Credit Conference of the National Retail Credit Association, Associated Credit Bureaus of America and the Credit Women's Breakfast Clubs of North America will be held at The Kentucky Hotel in the city of Louisville, Kentucky, June 20, 21, 22 and 23, 1955.

Fort Worth Credit School

WHEN THE Credit Education Committee of the Fort Worth Retail Credit Association, Fort Worth, Texas, made plans for the National Retail Credit Education Week, May 9-15, 1954, they not only endeavored to educate the general public on the phases of buying and paying on accounts, but they realized that the personnel in respective offices should be thoroughly acquainted with all angles of retail credit and be in a position to cooperate wholeheartedly with the public. The coordination of television and radio, newspaper advertising and public lectures in the universities and local public schools was only part of the planning for education that was organized in the Fort Worth area.

Plans for the credit school were successful and they felt that it resulted in the approval and appreciation of everyone who attended. The Association also realized the necessity for the training of numerous people who had joined local credit departments recently. The school was organized under the title of "Retail Credit and Collection Procedure." The committee spent a considerable amount of time and effort in obtaining outstanding lecturers as well as local panel members who would be most capable of presenting the subject assigned to them.

The enrollment for this school reached 208, indicating the enthusiasm of those in all types of business in the retail field, who found that by attending this school they could obtain much valuable information and benefits which would make them more capable to carry on their respective duties. As a result, the school was responsible for furthering the knowledge of those who attended, as will be shown in their contributions to their respective organizations. It is the intent of the educational committee to cooperate with the National Retail Credit Association in making plans for future schools to accommodate the newcomers to the credit field, as well as making an interesting review for those already established in the field.

Out-of-town lecturers and panel members included: Fred Medlen, Assistant Vice President, Corpus Christi Bank and Trust Co., Corpus Christi, Texas; R. A. Jackson, Credit Manager, Volk Brothers, Dallas, Texas; J. E. R. Chilton, Jr., Merchants Retail Credit Association, Dallas, Texas; W. C. Goodman, Credit Manager, Reynolds-Penland Co., Dallas, Texas, Second Vice President, National Retail Credit Association; Leonard Berry, Educational Director, National Retail Credit Association, St. Louis, Missouri; William Johnson, Customer Relations Director, Neiman-Marcus, Dallas, Texas; and Louis Selig, House of Fashion, Baton Rouge, Louisiana. The picture below was taken on the night of the last meeting of the school.

"Credit Problems"

(Beginning on page 9.)

action has been taken and what response is made by the debtor.

It does not pay to procrastinate in taking such action as you inform the debtor will be necessary if he does not pay or make satisfactory arrangements for settlement within a prescribed period of time. If you fail to keep your word you are right behind the eight ball because the debtor will not take seriously any subsequent statements you may make. If the shock of the first dunning notice from an outside collection agency does not provoke payment, the agency proceeds to follow up the debtor until he pays. The final procedure may be court action taken with the creditor's consent.

The general public is now well acquainted with the functions of a credit bureau. People know that the bureau is a friendly intermediary and primarily interested in helping them to maintain or re-establish a credit rating which will enable them to qualify for credit accommodations on the purchase of necessities of life as well as everything else sold on credit terms.

When rendering assistance in bringing about the settlement of a past-due obligation which has been placed with the credit bureau's collection department, a firm, dignified and friendly attitude is always maintained. The bureau's files show what the debtor can be expected to do. Every day the bureau is placing in its files information which is invaluable as a collection aid and tracing skips is one of its specialties. The debtor knows the bureau means business because it does not have to threaten to report him to anyone. If a debtor does not respond after a second communication, the status of the account, but not the identity of the creditor, is available for all the principal credit granters in every line of trade. ***

San Francisco Conference Notes

RESOLUTIONS

Recommending Increased Income Limitations of Chapter 13

WHEREAS, the membership of the National Retail Credit Association is composed of more than 35,000 members engaged in every line of business where consumer credit is granted, including department and apparel stores, furniture, musical instruments and household appliance stores, hospitals, banks, loan and finance companies, utility companies, petroleum companies, hardware, lumber and building materials, jewelers, etc., and represents every phase of the economy where consumer credit is extended to the public; and

WHEREAS, the Wage-Earner provisions of the Bankruptcy Act were amended by the Congress on December 31, 1950 so as to permit wage earners and salaried employees earning up to $5,000 to resort to the provisions of Chapter 13 of the Bankruptcy Act; and

WHEREAS, bankruptcy statistics indicate that where Referees in Bankruptcy have encouraged the use of the Wage-Earner provisions by those eligible, the percentage of accounts paid up has been favorable; and that, furthermore, wage earners have, as a result of the use of such plans, been allowed a reasonable time for the payment of their debts, usually extending over from one to three years, and have been enabled to retain employment and unimpaired credit standing; and

WHEREAS, this Association is of the opinion that the decline in the purchasing power of the dollar has been so great that the lifting of the ceiling on the use of wage-earner plans from the former limitation of $3,600 of salaries and wages to $5,000 does not and cannot accomplish the relief intended;

NOW, THEREFORE, BE IT RESOLVED, that the National Retail Credit Association records itself in favor of, and recommends to the Congress of the United States, that Chapter 13 of the Bankruptcy Act should be further amended to permit resort to wage-earner plans by any person paid by salary or wages up to and including $7,500.00.

Urging Greater Use of Wage-Earner Provisions of Bankruptcy Act

WHEREAS, the membership of the National Retail Credit Association is composed of more than 35,000 members engaged in every line of business where consumer credit is granted, including department and apparel stores, furniture, musical instruments and household appliance stores, hospitals, banks, loan and finance companies, utility companies, petroleum companies, hardware, lumber and building materials, jewelers, etc., and represents every phase of the economy where consumer credit is extended to the public; and

WHEREAS, the Wage-Earner provisions of the Bankruptcy Act were amended by the Congress on December 31, 1950, so as to permit wage earners and salaried employees earning up to $5,000 to resort to the provisions of Chapter 13 of the Bankruptcy Act; and

WHEREAS, bankruptcy statistics indicate that where Referees in Bankruptcy have encouraged the use of the Wage-Earner provisions by those eligible, the percentage of accounts paid up has been favorable; and that, furthermore, wage earners have, as a result of the use of such plans, been allowed a reasonable time for the payment of their debts, usually extending over from one to three years, and have been enabled to retain employment and unimpaired credit standing;

NOW, THEREFORE, BE IT RESOLVED, that the National Retail Credit Association hereby records itself in favor of, and recommends that, Referees in Bankruptcy be encouraged to utilize the aforesaid provisions of the Bankruptcy Act to the fullest practicable extent.

AND BE IT FURTHER RESOLVED, that comparative statistical records indicating the extent to which the provisions of Chapter 13 are utilized by individual Referees, be disseminated among Referees in Bankruptcy themselves, to credit granters, and to the public generally, to the fullest extent feasible and possible.

Reduction in Excise Taxes

WHEREAS, the National Retail Credit Association is composed of more than 35,000 members engaged in every line of business where consumer credit is granted, including department and apparel stores, furniture, musical instruments and household appliance stores, hospitals, banks, loan and finance companies, utility companies, petroleum companies, hardware, lumber and building materials, jewelers, etc., and represents every phase of the economy where consumer credit is extended to the public, and

WHEREAS, personal transportation of executives of the above-mentioned firms and organizations is necessary to many phases of business operation; and

WHEREAS, telephone and telegraph are a vital and necessary part of the day-to-day communications in the business operations of the above-mentioned firms and organizations; and

WHEREAS, excess taxation on jewelry, leather goods, furs and other items is burdensome and retards sales efforts; and

WHEREAS, all such taxes in the end result must inevitably be passed along to the consumer;

NOW, THEREFORE, BE IT RESOLVED, that the National Retail Credit Association hereby records itself in favor of a further reduction and eventual elimination of these taxes.

Internal Revenue Code of 1954

WHEREAS, the National Retail Credit Association is composed of more than 35,000 members engaged in every line of business where consumer credit is granted, including department and apparel stores, furniture, musical instruments and household appliance stores, hospitals, banks, loan and finance companies, utility companies, petroleum companies, hardware, lumber and building materials, jewelers, etc., and represents every phase of the economy where consumer credit is extended to the public and

WHEREAS, the improvement of the Internal Revenue Code, in the interest of simplicity, efficiency, and fairness of tax burden is a continuing matter; and

WHEREAS, the proposed "Internal Revenue Code of 1954," H.R. 8300, marks a step forward in certain long-needed improvements in federal tax policy, including provision for the effective collection of delinquent taxes from federal employees, and for the definition of and allowance for, "carrying charges" which "are separately stated but the interest charge cannot be ascertained";

NOW, THEREFORE, BE IT RESOLVED, that the National Retail Credit Association hereby records itself in favor of the prompt passage of H.R. 8300 as being in the best interests of the national economy and the general public.

Report of the President

H. C. Alexander

DURING THE fiscal year that is now ending, the National Retail Credit Association has again achieved a successful operation of which we may all be proud. Under the leadership of Lindley S. Crowder, our General Manager-Treasurer, continued progress has been made in all phases of our operation.

The results of the activities of our Membership Committee have brought our membership to 35,094, an increase of approximately 1,700 over the previous year. This Committee deserves our gratitude for its successful efforts.

The report of the Financial Committee will show cash on hand of $30,643.06, with building, real estate and other assets amounting to $130,547.16. As usual, there are no debts. This is a most healthy financial situation and reflects the watchful care of our General Manager-Treasurer and the Finance Committee.

The Educational Program, guided by a very active committee, has made considerable progress during the year. We are especially proud of the fine work done by Sterling S. Speake in his Credit Schools. Perhaps no single project of the National has brought in as many favorable comments as have been received as the result of these Schools. It is strongly recommended that these be expanded and the opportunity given to more communities for this type instruction.

The CREDIT WORLD continues to be the outstanding publication that has served our organization for so many years. New features have added to its effectiveness. Arthur H. Hert and Leonard Berry are to be congratulated for their contributions to this publication, as well as The CREDIT WORLD Committee, who have assisted in many ways in making our magazine even better.

During the year, I was privileged to visit more than 20 local organizations and four district conferences. I am most grateful for the many courtesies that were shown to me, and was pleased with the activity and enthusiasm shown by these local and district groups.

The year as your President is one that will never be forgotten, and I wish it were possible to express my deep feeling of appreciation to the staff in St. Louis, the officers, both National, District and Local, the Committee Chairmen and members, and the countless members who have done so much to make this year successful.

I am also grateful to the Officers and members of both the Associated Credit Bureaus of America and the Credit Women's Breakfast Clubs of North America for the fine spirit of cooperation they have shown in making this year outstanding.

Report of the General Manager-Treasurer

L. S. Crowder

THE 20th ANNUAL report, covering results for fiscal year ended May 31, 1954, is submitted with pleasure. The year has been a successful and active one in all respects.

Finances

Our financial position is excellent. Cash on hand and in banks amounted to $30,643.06. Included is $4,543.16 on deposit with the Dominion Bank, Vancouver, B. C. This compares with balance of $27,164.56 on May 31, 1953, which included advance of $9,896.91 to the N.R.C.A. Pension Trust. Annual payment of $2,500.00 was made to the Pension Trust and checks for approximate amount of all conference expenses were issued. Total current assets, including inventory of books and supplies for resale and prepaid rent, $5,096.91, amounted to $91,737.43, a gain for the year of $15,710.95.

Membership

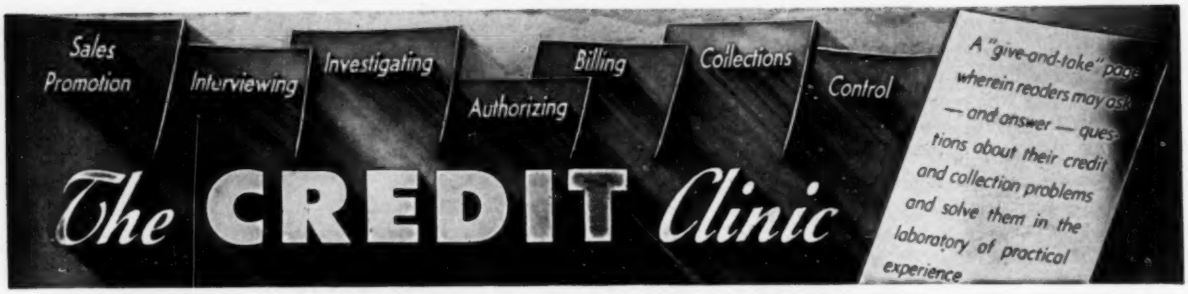
The year ended with a total of 35,094, a gain of 1,693 members. Twenty-seven National Units were organized, eighteen in the United States and nine in Canada. The greatest number of new members was reported by District 10, followed by District 11 in second place, District 8 third and District 1 fourth. Pittsburgh continued in first place with 1,140 members, Spokane, with 1,052 members is in second place, followed by New York, third, with 1,025 members and Dallas, fourth, with 918 members.

Credit Education

This has been a most active year; two new books were published, ***Physicians and Dentists Credit and Collection Manual,*** which has been favorably received by the medical profession, and ***Retail Collection Procedure and Effective Collection Letters,*** off the press the latter part of May. It should have a successful sale.

In addition to 39 credit schools conducted by Sterling S. Speake in various parts of the country, 17 schools were conducted by Local Associations. Our educational ac-

(Turn to "Annual Reports," page 30.)



Dairy and Baking

QUESTION

What is the best procedure to follow in determining the normal number of days and dollars outstanding that would be fair on any individual route?

ANSWERS

Wilson C. Fox, The Babcock Dairy Company, Toledo, Ohio: Our days outstanding play an important part not only with our credit department, but also our sales department. The total outstanding for each route is shown on the salesman's report when he obtains it each day. We use a customer card that is filled out by the salesman for each new customer secured. For customers requesting two weeks' credit or less, the credit information may be omitted on the card. For customers who wish to pay by the month, the entire card must be filled out. New monthly accounts may be added only with the approval of the supervisor in charge of that route. All route sheets are coded according to the payment agreement worked out between the salesman and the customer.

Sample: A—30-day credit
B—Semi-monthly
C—Pay weekly
D—Cash
E—Ticket stop

A top limit of $5.00 per point is set on all accounts. When the bill reaches this point the salesman must get approval in writing from his supervisor before he can extend additional credit to the customer. A limit lower than $5.00 per point may be placed on any account at the supervisor's discretion. If a credit limit is reached and the route salesman is instructed to put the customer on cash, a slip is attached to the route book carrying these instructions. In this way the salesman will have something definite to back him up, if the customer is reluctant to cooperate. The days outstanding also enter into the paying of point money. A large blackboard is placed on the wall in the check room. On this board is shown the base for each route in number of points. Also shown is the actual points on the route for the past month and the two preceding months. The days outstanding for the past month and the preceding month are shown. If the days outstanding decrease over the previous month it is shown in white and if an increase it is shown in red. The payment of point money is based on the days outstanding as follows: 17 days or more with an increase in days outstanding, 75 cents per point; 17 days or less with the same in days outstanding, $1.00 per point; 17 days or less with a decrease in days outstanding, $1.50 per point; and 11 days or less with a decrease in days outstanding, $1.50 per point.

For the month of May our average days outstanding for retail routes was 15.01 days, and our wholesale routes 0.63 day. Close supervision and cooperation of our sales department coupled with the incentive the salesmen have on the payment of point money, keep our days outstanding at a reasonable figure.

Joseph A. Gilson, The Polk Sanitary Milk Co., Indianapolis, Indiana: The following procedure is fair and just to all concerned: First, establish a given period of time, such as a month or any preferred space of time, calculating the total sales for the particular period for each individual route and divide this figure by the number of days represented to arrive at a "daily average sale" figure. This may be either by the number of days in the month or period, if daily delivery, or by the number of delivery days, whichever is preferred. Either one is acceptable provided the same procedure is followed for all routes. Next, take the outstanding or uncollected accounts at the close of the above established period and divide by the above established "daily average sale" figure, arriving at the number of daily average sales represented by this outstanding. By doing this for each individual route and also by the total of all routes, you can determine if any individual route is over or under average, and by grouping of routes by classification, such as weekly, semi-monthly, or monthly, you can tell the condition of any individual route by comparison of average of that particular class.

Walter Menzenwerth, St. Louis Dairy Company, St. Louis, Missouri: This schedule is not offered as the best procedure; however, it is the procedure we use.

Route 10, Months Ending Date	Total Outstandings	Average Daily Sales	No. of Days Outstanding
Mar. 25, 1954	$2,703.41 (2)	$98.26 (1)	28 (3)
Apr. 25, 1954	$2,760.46	$94.51	29
May 25, 1954	$2,509.56	$88.29	28

Divide the individual route's sales total by the number of days in the month. The answer gives you the average daily dollar sales (1). Divide the individual route's dollars outstanding (2) on the close of the month by the average daily dollar sales (1). The answer is the number of days' sales outstanding at the close of the month on the individual route (3). Judging a favorable number of days outstanding, or total dollars outstanding, for a specific route must take into consideration shifting factors, some of which are, transfers, splits, credit policy on specific routes (short term neighborhood or monthly bill neighborhood), etc.

Harry W. McMillan, Borden's, Detroit, Michigan: The procedure we follow in determining the normal number of days and dollars outstanding that would be fair on any individual route is as follows: Each route differs in number of customers and terms granted. Monthly accounts are figured at 40 days maximum credit; minimum 30; two week and bi-monthly at 18 and 14; weekly at 10 and 7; and cash stops zero. The total maximum and minimum number of customer days is arrived at by multiplying the number of customers in each classification by the basic days credit granted (maximum 40, 18 and 10—minimum, 30, 14 and 7) and totaling each group separately. The total maximum and minimum number of customer days divided by the total number of customers (combined total of all customers, monthly, semi-monthly, two week, one week, and cash) gives us a maximum and minimum number of days outstanding. The actual weekly dollar value of sales (third week of the month) on a route is divided by 7 to give a daily sales value. The daily sales value multiplied by the maximum and minimum number of days gives us the maximum and minimum dollars outstanding. The normal outstanding is then arrived at by adding the maximum and minimum number of days and dollars outstanding and dividing by two. Comparison is made with actual outstanding as of the third week of the month. Our week closes on Saturday. We have found this procedure or formula to be quite accurate.

W. A. Schenk, Ideal Pure Milk Company, Inc., Evansville, Indiana: The normal number of days and dollars outstanding that would be fair on any individual route would depend on several things. You have to take into consideration the locality, the type of customer—businessman, professional, factory workers, etc. You could then arrive at the terms of payment. In the poorer districts you would have some cash accounts and weekly and semi-monthly accounts. You would not want these accounts to run past due very far. Meaning, your days outstanding should not be over fifteen days. Then you would have your mixed routes, weekly, semi-monthly and monthly. Your days outstanding here could be 15 to 20 days. Then there are certain routes where you have quite a few monthly accounts and, of course, some weekly and semi-monthly. The days outstanding here could be 20 to 25 days. I do not think too many firms have a set rule or code of ethics to go by. That is the reason for the above answer.

Harry N. Taylor, Beatrice Foods Company, Tulsa, Oklahoma: Although this question is of little importance to us from our operation, we did in the past figure days outstanding. The procedure followed in determining the days outstanding was figured on a monthly basis, that being the working days in the month; it can also be figured on a weekly, semi-monthly or monthly basis. To determine days outstanding use the sales figure for the month divided by the working days in the month, divide this figure into your receivables for the month to get number of days outstanding. Dollars outstanding may be determined by the use of an aging sheet which may be prepared each week, semi-monthly or monthly. This can also apply to each individual route or an over-all operation.

Department, Apparel, and Shoe Stores

QUESTION

Do you think it advisable to refrain from discussing with each customer when making application for a charge account the credit limit they desire to have placed on their account or should we permit them to buy any amount indiscriminately regardless of their financial standing?

ANSWERS

W. C. Goodman, Reynolds-Penland Company, Dallas, Texas: The question cannot be answered except with modification and elaboration. The answer is "Yes" if the applicant is well established in his community and is holding a responsible position, or if the applicant is known and recognized as financially able or well fixed. Obviously, it would not be the part of wisdom nor conducive to good will to question the ability of such an applicant, or to place any limitation on his account since his position in the community would command every courtesy and since he possesses the means to fulfill any obligation. Under such circumstances the credit manager, no doubt, would be glad to accept the account without imposing any conditions. The account, however, should be subjected to a regular collection procedure in the event of delinquency. The contrary will apply if the applicant is a newcomer to the community, or one who does not enjoy a credit standing with the bureau, or has limited income, or is a new seeker of credit, or for other reasons too numerous to mention here. It would probably be advisable to discuss all phases of the account in most such instances, particularly the amount of credit desired and the terms on which it would be paid and any other details that would make it possible to approve and service the account. The problem obviously is the ability of the interviewer, or credit manager, to determine which of the two types of applicants is being interviewed. It is the responsibility of the interviewer not only to open the account on terms and conditions favorable to the store and the future collection of the account, but also to establish the terms and conditions under which it is to be used and in this there is no universal yardstick. One must be guided by the circumstances and conditions that surround the applicant including character, type of employment, personal habits, etc.

Kenneth Oetzel, Boyd's, St. Louis, Missouri: We do not discuss limits with our customers ordinarily because we feel it is a restrictive measure. The purpose of the account is to buy merchandise and we feel our type of customer usually knows his own limits. We would much rather let him set that than to discuss it with him. Limits are placed on the accounts as a guide for the authorizer so that if there is any doubt in her mind she can refer it to a credit manager for approval. The above applies to our regular thirty-day account. On budget accounts we do place limits because of the type of customer who requests this arrangement. However, we do point out to him that more merchandise may be added simply by coming to the credit office and discussing it with one of our credit men. The main point of my an-

(Turn to "Credit Clinic," page 24.)

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

ALL CREDIT department letters, indeed, all business letters, are written to accomplish definite and specific purposes. That fact cannot be too often emphasized. It is of basic importance.

In previous articles the *opening* of the letter and the *closing* of the letter were discussed. Now we want to talk about the *middle* of the letter; the *message*.

The *analogy* of a bridge will perhaps help to give a clearer idea of the structure of the business letter. Letters literally "bridge" the gap from the mind of the writer to the mind of the reader; they "carry" the message.

Bridges usually have two principal supports and a center span. The center span is the main part of the bridge; the reason in fact that the bridge was built. The supports are essential, because they hold up the center span. So with the business letter, the beginning and the ending are important but supplementary to the middle—the message.

You will note that we call the middle of the letter the *message*. And, that is exactly what it is, a message. If we keep that idea of a message before us we shall be more successful in writing convincing, impelling credit department letters.

The message, of course, should be clear. It should be so worded that no misunderstanding or mis-construction is possible. After we have attracted the favorable attention of the reader we must give the message of the letter in clear, simple fashion and then close on a cordial note.

You will agree that it is easier to *keep* well-established customers than to win new ones; and certainly less expensive. Yet it happens frequently, after a customer has become firmly attached to the store, perhaps at great expense and as a result of years of efficient and thoughtful service, that customer becomes lost maybe forever because of the carelessness and tactlessness of a credit department correspondent who insists on "lowering the boom" in a collection letter.

Smart collection correspondents will point out in their letters the advantages of cherishing good credit standing; remind customers that prompt payment keeps credit service good; point out that "prompt pay" folks are the "salt of the earth," and similar constructive approaches, rather than scolding and berating.

Collection appeals should *persuade* the customer to pay rather than rely on blunt and heavy-handed demands. In credit sales promotion letters the correspondent should use the winning appeals that credit facilities make shopping simpler, more fun, quicker; enable a customer to buy when she wants to buy; eliminate need of carrying money around subject to loss or theft. Comfort and convenience mean much to most people.

The message should be simply stated. This is not easy. We all tend to use too many words. The objective should be crystal-clear letters, written with crisp simplicity. Letters that express ideas in easily understood words. Letters that require no re-reading for quick comprehension.

The next important objective is *coherence*. All ideas expressed must be relevant to the main purpose. Cluttering up the letter with unnecessary explanations or arguments lessens its effectiveness. We should ask ourselves, "What does this mean, this letter I have just written—can I say the same thing more simply?" Such self-examination will result in much chopping out of dead wood, leaving the letter vastly improved.

Finally, we should aim at preserving the reader's dignity and self-respect. It is easy to make strong statements and accusations in letters but nothing is gained by doing so. Even so-called "tough" collection letters should be written with restraint. Good manners are as necessary in successful letter writing as they are in successful personal contacts. Anger, resentment, or sarcasm has no place in "letters that sell." And, as we have said often before, successful collecting is the result of skillful salesmanship.

A good opening, a good closing, a simple, explanatory middle, these are the three "zones" of the successful letter. With them clearly in mind, better letters are bound to result.

This Month's Illustrations →

Our letter illustrations this month are taken from past issues of the N.R.C.A. *Better Letters Service*. As set forth on page 27 of the July issue of The CREDIT WORLD this helpful letter writing service will in future be known as *Effective Credit and Collection Letters*. These illustrations are typical of the original letters that are part of the service. Each month four letter illustrations, dealing with the several categories of credit department letters, are sent to subscribers together with two pages of commentary on letter writing techniques.

Just one new idea for a more effective collection letter approach: one inspiration for a more successful credit sales letter; one satisfied customer following an adjustment, will pay the cost of the service for several years. Members are cordially invited to avail themselves of this boon to credit department correspondents seeking new ways of producing effective credit and collection letters. The cost is only $12.00 for a full year. Only $1.00 per month.

COLLECTION LETTER - INSTALMENT ACCOUNT STARTED WELL BUT NOW TWO PAYMENTS IN ARREARS

July 15, 1954

Mrs. John C. Customer
000 Main Street
Your City, Your State

1

Dear Mrs. Customer:

You were doing so splendidly on your instalment account with us. We had complete confidence that you would finish your payments with a perfect score.

Now, however, you have allowed two payments to become in arrears, and, what is more a matter of concern to us, you have not been in to explain the situation.

You know how those traffic lights turn to amber just before the red comes on? That is the position of your account now. You still have a margin of safety, but you will have to act rapidly.

We urge your payment of $00.00 now. Don't allow the "danger" signal to appear on your account.

Cordially yours,

MANAGER BUDGET PLAN DEPARTMENT

CREDIT SALES PROMOTION LETTER - INACTIVE ACCOUNT - "READY FOR SCHOOL" THEME.

TO BE SENT TO CUSTOMERS WITH SCHOOL AGE CHILDREN

July 15, 1954

Mrs. John C. Customer
000 Main Street
Your City, Your State

2

Dear Mrs. Customer:

Now is the time when parents begin to think of preparations for the opening of school. There are so many things to do, and the days are rapidly passing. Here is when your convenient (Your store name) charge account will prove a valuable timesaver and help make your shopping expeditions a real pleasure.

Because it is our business to anticipate your needs, our preparations for BACK TO SCHOOL were completed some time ago. Now we are ready for you to make your selections from comprehensive stocks.

And even though the days are still warm, you will find cool and refreshing comfort in our completely air-conditioned departments.

No matter how limited or generous your budget, you can shop here in the confidence that you will find just what you require, in the styles and assortments that will delight you.

Your charge account is ready for your instant use - no formalities whatever. Just say "Charge it." It will be good to greet you soon.

Cordially yours,

MANAGER OF CREDIT SALES

NEW ACCOUNT ACCEPTANCE LETTER

July 15, 1954

Mrs. John C. Customer
000 Main Street
Your City, Your State

3

Dear Mrs. Customer:

One of the most pleasant responsibilities of a Credit Sales Manager is the delightful privilege of welcoming a new member to our charge account family.

Here at (name of your store) we have a high regard for our credit customers. Somehow we feel our charge account holders are especially close to us. That is why we are gratified that you should have asked us for an account, and why we are so pleased to arrange one for you.

Shopping will be so much easier for you now...use of our mail order and telephone shopping departments so much more convenient. Then too, the itemized statement you receive every month will help keep your family budget on a sound basis.

Please come in often...don't feel you have to buy something every time...although we will be glad if you do. And, should you need any special service at any time, your charge account entitles you to that, too.

Cordially yours,

MANAGER OF CREDIT SALES

ADJUSTMENT LETTER -- ACCOUNT SHOWING LARGE AMOUNT OF RETURNED MERCHANDISE

July 15, 1954

Mrs. John C. Customer
000 Main Street
Your City, Your State

4

Dear Mrs. Customer:

One of the most convenient aspects of a charge account is the ability to return merchandise for credit when, for one reason or another, it is not desired to keep the items. That convenience we gladly offer to our customers as part of our store service.

However, we are sure you will agree that when returned merchandise on an individual account reaches large proportions a serious problem is created. That seems to be true now of your account.

Because we believe that every situation has an explanation, and that every misunderstanding can be replaced with understanding, we suggest you write, or call at our office, at your early convenience.

Cordially yours,

MANAGER OF CREDIT SALES

swer to this question should be to emphasize that we are in business to make sales and not to restrict them.

R. M. Wylie, Weinstock-Lubin and Company, Sacramento, California: If it is the desire of credit management to discourage credit sales, then it is recommended that the credit limit the customer desires be discussed at the time of the interview. Can any reader estimate within 50 per cent of the purchases he or she will make in his favorite store within the next month or the month following? Yet, we are asking our customers to decide now how much they will spend next Christmas. We are establishing a mental barrier as to future purchases in the customer's mind in discussing credit limits. When this limit is established by the customer and that amount is reached, what is her reaction? Should she stop buying, buy for cash, or open an account with your competitor? The latter will probably happen and the plus credit sales that you were entitled to will now be divided with the merchant down the street. A recent survey reveals that 56 per cent of all customers feel they can buy practically all the goods they need in one store. By permitting the customer to establish a credit limit you have, in effect, forced the customer to seek credit elsewhere when this limit is reached.

Furniture, Musical Instruments, Electrical Appliances

QUESTION

Some of my instalment account customers persistently pay less than the amount of the instalment due and ignore requests to pay the full amount. How should I handle such customers?

ANSWERS

Alexander Harding, John H. Pray & Sons Co., Boston, Massachusetts: This question proves that people are the same all over the world for every credit man is faced with this problem. It has been referred to as the "bane of a budget collector's existence." The problem is the result of a customer who is enthusiastic about the purchase he has just made but when he arrives home and stark reality sets in, the realization comes that the payments are too high. There are two methods of approach to this problem. One is that if, for instance, your payments are set up for $15.00 per month and they *regularly* send you $10.00 per month why not "go along" with these reduced payments for you know she is trying to do the "right thing" by at least sending something each month. The other approach might be to rewrite the budget contract and set it up for payments of approximately the same amount she is sending in each month and in so doing you will not only have a better frame of mind as far as the account is concerned, but you will also be helping the customer to maintain a prompt paying record. Too often we lose sight of the fact that people are embarrassed or ashamed to come to the credit department and talk over their financial problems and they send along what they feel they can afford hoping that we will understand that their intentions are honorable.

Earl E. Paddon, Lammert Furniture Company, St. Louis, Missouri: The question can have but one answer, and the customer who persistently pays a lesser amount than the instalment due, and ignores the request to pay the full amount should be required to refinance the purchase on the basis of the amount he can pay each month, or possession should be taken of the merchandise until the account is brought up to date. Where interest is charged to finance an account through a definite period of time, payments should be made regularly in accordance with the contract, otherwise additional costs are involved and in today's competitive market these additional costs reduce the margin of profit.

John E. Zimmerman, Morris Kirschman and Co., Inc., New Orleans, Louisiana: On new and renewed accounts, the terms of the contract are thoroughly discussed with the customer at the time of the interview. For the first six months of the contract, we refuse to accept less than the full amount of the instalment. When a customer offers a partial payment at the cashier window at any time during the length of the contract, he is referred to the office of the collection manager to discuss the account. Rather than accept short payments an extension of a week or two is given to the customer so that he can arrange to bring his account up to date. Short mail payments are also refused, the check or money order being returned with a letter explaining the delinquency. We request that a remittance sufficient to bring the account up to date be sent by return mail. A regular ten-day follow-up is made on these accounts until they are up to date, satisfactory arrangements made, or the merchandise repossessed. This method of handling short payments has brought excellent results.

W. F. Streeter, Boutells, Minneapolis, Minnesota: An instalment account customer who persistently pays less than the amount of the instalment due should be charged additional carrying charges based on the additional length of time that it would take to pay the account in full at the amount that is paid instead of the full contract payment which was agreed upon. We follow that procedure at Boutells. When an account becomes past due three months, we add charges based on their payment, and the length of time it would take to pay the account and notify them by mail that if their account is brought up to date that the additional charges will be credited as soon as they have reached a current status. In other words, we originally contract for 18 months and the manner of payment would take two years. I believe you are better off charging the additional six months' carrying charge and let them pay the account that way than to spend time and money to make them try to do something which, perhaps, they are not able to do. Our efforts in these cases have proved successful and we prevent much antagonism, both on the part of the customer and ourselves. In following this procedure, we have ascertained the customer who is trying to get by and we have also found the customer who was unable to meet the payment originally agreed upon. We have received letters of thinks from those people who need the extra time and we have received back payments from those customers who were just delaying their payments.

Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Sound Economy Area: "A record stream of spending on new construction has been providing a real source of strength for an adjusting economy. Some of the features of the 'construction boom' and its prospects for the immediate future are examined . . ."

These words appeared on the front cover of the June issue of *Monthly Review,* organ of the Fifth Federal Reserve District. To your Washington observer the article seemed apt and timely to consumer credit, both because of direct impact of its subject matter, and indirect, long-range implications. If people are establishing a record buying and building homes, they are likely to establish something of a record in furnishing and equipping those homes.

Entitled "The Private Construction Boom—Happy Anomaly," it noted that total private construction outlays in the United States for the first four months of this year were 3.4 per cent greater than in the comparable period last year. While residential building is up only 0.6 per cent, expenditures on nonresidential projects "are up a sturdy 10 per cent."

Contracts awarded in the first four months of 1954, as compiled and reported by the F. W. Dodge Corporation, reached $5.6 billion. "This is the highest figure ever reported by Dodge for this period of the year," *Monthly Review* said.

"If it be true, as many believe, that 'You can't have a depression as long as the construction industry is busy,'" the article noted, "then the American economy does not require some of the tears being shed, despite some weak spots as compared with last year. . . . And the comparison is *with a period when an all-time record was in the process of being established.*"

What are the reasons cited by *Monthly Review* for this tremendous activity? Speaking of commercial facilities the article analyzes the situation thus: "Construction of commercial facilities has been on a roller coaster throughout the postwar period. Away up in 1946, following the abandonment of wartime restrictions on building, outlays for commercial building dropped the following year as limitations were reimposed in accordance with the Veterans' Emergency Housing Program. Removal of these controls led to another rise in 1948 only to be followed by another decline the next year. The rise in 1950 continued into 1951, but reimposition of construction controls as a consequence of the Korean War produced a downturn that ran through the last half of 1951 and early 1952. The gradual relaxation of restrictions in the second half of 1952 and the removal of credit restrictions under Regulation X set the stage for the present uptrend."

In residential construction, where consumer financing would be more directly affected, the article paints an interesting picture involving the individual citizen who is the user of consumer credit: "The face of America—particularly the suburban face of urban America—is in process of rapid and drastic change. New concepts and new attitudes, presumably spawned from the desperate economy of the 1930's and the war-restricted economy of the early '40's, are now firmly rooted in the minds of home buyers, home builders and home lenders. Home buying is no longer a process of patient waiting and painful saving. Traditional frugality is being relegated to the past, and 'Buy! Live! and Pay as you Go!' are the attractive slogans of the present era."

Publication in Connection with Bankruptcy Proceedings: Section 58 of the Bankruptcy Act (11 U. S. C. A. 94) deals with notices to be given to creditors and others of the several more important steps in a proceeding under the Act. The Chandler Act of 1938, and the Act that preceded it, provided in identical language in Section 58 (d): "Notice to creditors of the first meeting shall be published at least once and may be published such number of additional times as the court may direct; the last publication shall be at least one week prior to the date fixed for the meeting. Other notices may be published as the court shall direct."

This section was amended July 3, 1951, making publication discretionary instead of mandatory, by the following language: "(d) Notices to creditors *may* be published as the court shall direct."

Internal Revenue Code Act of 1954: This monumental piece of legislation passed the Senate, with numerous amendments, on July 2, 1954. The Conference Committee met for the first time on July 14 to consider these amendments. Senate Report No. 1622, not available at the time of our last report on this subject, states that the Senate Finance Committee "joined with the House Committee on Ways and Means in undertaking the first comprehensive revision of the internal revenue laws since before the turn of the century . . . the purpose of changes has been to remove inequities, to end harassment of the taxpayer, and to reduce tax barriers to future expansion of production and employment."

Credit Card Plan: The Corporation Commissioner of California denied a permit to issue stock to a corporation which proposed to issue credit cards. The corporation proposed to charge $5.00 a year for credit cards and to purchase invoices at a discount of 6 per cent to 10 per cent from stores, hotels, etc., which honored the cards. Legal action to compel the Commissioner to grant the stock permit was denied because the corporation, held subject to the California small loan laws, would be "lending" credit and did not have a small loan license. *Master Charge* v. *Daugherty* (March 8, 1954) 267 Pac. (2d) 821.

LOCAL ASSOCIATION *Activities*

Philadelphia, Pennsylvania

At the annual meeting of the Retail Credit Managers Association, Philadelphia, Pennsylvania, the following officers and directors were elected: President, John P. Dooner, Jr., Interstate Finance; Vice President, Frank M. Layton, Strawbridge and Clothier; Treasurer, Charles W. Gray, Hardwick & Magee; Secretary, Nicholas Lauletta, Blauner's; and Assistant Secretary, Thomas Kelly, Philadelphia Credit Bureau. Directors: I. Lehr Brisbin, Girard Investment Co.; Frank M. Crutchley, Snellenburg's; Charles H. Dicken, Gimbel Brothers; Willard K. Githens, Cities Service Oil Co.; Alexander Gunther, First National Bank; Daisy Hilbronner, The Blum Store; Edward Hornstein, Square Deal Furniture; Samuel Kind, S. Kind & Sons; Alexander McClelland, *Philadelphia Inquirer;* John A. Sears, Provident Trust Co.; Edward Schramko, Esso Standard Oil Co.; William Stockton, Atlantic Refining Co.; J. Stanley Thomas, Credit Men's Association of Eastern Pennsylvania; and Clarence E. Wolfinger, Lit Brothers.

Billings, Montana

The Retail Credit Association of Billings, Billings, Montana, has elected the following officers for the ensuing year: President, Ray Whearty, Vaughn & Ragsdale Co.; Vice President, Mrs. Glen Hammerbeck, Stroup Hardware Co.; Secretary, K. J. Dugan, Credit Bureau of Billings; and Treasurer, Ray Spanier, Security Trust and Savings Bank. Directors: Duncan Shull, Credit Service Co.; Mervyn Johnson, Johnson Radio & Sound; and Ardis Brown, Sherwin Williams Co.

Omak, Washington

The Retail Credit Association of Omak-Okanogan, Omak, Washington, has elected the following officers and directors for 1954-1955: President, Walter Schalow, Schalow's Grocery; Vice President, A. R. Bramer, Bramer Hardware Co.; Treasurer, Mrs. Margaret Nickell, Clair Pentz Furniture Co.; and Secretary, Charles H. Grimes, Credit Bureau of Okanogan County. Directors: Mrs. Opal Fisher, Fisher's Food Store; Don Winans, Brewster Branch, National Bank of Commerce; Edward Jones, Okanogan Branch, Seattle First National Bank; Del Erken, Pacific Telephone and Telegraph Co.; John Pewthers, Brownson Lumber Co.; and Walter Hink, The Men's Store.

Brownsville, Texas

At the annual meeting of the Retail Credit Executives of Brownsville, Brownsville, Texas, the following officers and directors were elected: President, Carl D. Jackson, Jackson Feed and Seed Store; Vice President, M. J. Tipton, Pipkin Motors; and Secretary-Treasurer, Claire Key, Credit Bureau of Brownsville. Directors: A. J. Carnesi, First National Bank; E. J. House, Pan-American State Bank; W. A. McBride, Morris Lumber Co.; Mrs. K. McGowen, Burton Auto Supply; and M. J. White, Automotive Supply.

Bridgeport, Connecticut

The following officers and directors of the Retail Credit Association of Bridgeport, Bridgeport, Connecticut, were elected at their annual meeting recently: President, Edgar Courtemanch, D. M. Reed Co.; Vice President, Nicholas Badamo, Outlet Millinery Co.; Treasurer, Bernard Glaser, Sears Roebuck & Co.; and Secretary, Walter H. Kerr, Bridgeport Credit Rating Bureau. Directors: Norman Devlin, Mitchell Dairy Co.; Justin Slate, George B. Clark Co.; and Harry Friedman, Arcade Dress Shop.

Providence, Rhode Island

At the annual meeting of the Retail Credit Granters of Rhode Island, Providence, Rhode Island, the following officers and directors were elected: President, William A. Reed, Kay's-Newport; Vice President, Frederick E. Hardy, The Outlet Co.; and Secretary-Treasurer, Clinton W. Briggs, Providence Credit Bureau. Directors: John W. Broadbent, Rhode Island Supply Co.; John E. Burke, Plantations Bank of Rhode Island; Elizabeth D. Christie, Kennedy's; Robert W. Clough, Atlantic Refining Co.; Joseph H. Driscoll, Narragansett Electric Co.; Sally E. Hammond, Tilden-Thurber Corp.; Jay V. O'Dell, Old Colony Cooperative Bank; Mary M. Roberts, Manchester & Hudson Co.; Harold B. Smith, The Shepard Co.

Ottawa-Hull, Ontario, Canada

The following officers and directors of the Credit Granters Association of Ottawa and Hull, Ottawa, Ontario, Canada, were elected for the ensuing year: President, Earl Millar, James Davidson Lumber Co.; First Vice President, Mrs. Florence Bangs, Charles Ogilvy Ltd.; Second Vice President, N. Morphy, Patterson Motors; Secretary, A. D. Sinclair, Credit Bureau of Ottawa and Hull; and Treasurer, Mrs. Lillian C. Donaldson, Robertson, Pingle and Tilley. Directors: Peter Skrypnyk, Guest Motors; James Costelle, Keyes Supply; W. Reaney, Barrette Bros. Lumber; Marcel Tremblay, Joe Feller's; Paul Goller, Lacocque, Reg'd; Earl McKeen, Murphy-Gamble, Ltd.; and May Beasley, Henry Morgan, Ltd.

Colville, Washington

The 1954-1955 officers of the Colville Credit Association, Colville, Washington, are: President, Wayne Laird, Laird Chevrolet Co.; Vice President, R. A. Anderson, Colville Motors; Secretary, Mildred Gimple, The Credit Bureau; and Treasurer, Warren C. Moore, National Bank of Commerce. Directors: Walter Artman, Colville Consumers Co-Operative; Gordon Hills, Seattle First National Bank; Henry Hodde, Hodde Feed Store; and Vern Barney, Barney City Electric.

Regional Shopping Areas

CARL B. FLEMINGTON, F.C.I., F.C.I.S., *Secretary-Manager,* Credit Bureau of Greater Toronto

CANADA IS FAST assuming full status of nationhood in all respects. She has shown through wholehearted participation and cooperation with other nations within the British Commonwealth and elsewhere, a willingness to accept her full share of responsibility; not only when called upon in times of crisis, but in peacetime pursuits, in research and cultural development. Her voice is known and respected through her attitude in fostering and promoting international good will.

Canadians no longer represent a country whose allegiance to the Crown is in the nature of Dominion status, but one whose constitution under the Statute of Westminster gives her entire control of her own destiny as a separate nation within that Commonwealth. Naturally, in order to achieve greatness and respect, she must develop both spiritually and economically in keeping with her nationhood.

Changing Profile in Canadian Retailing

Our remarks relate in great measure to the changing profile in Canadian retailing. Our growth factors have been more intense than those in the United States. We are consistently pushing back our frontiers in commercial endeavours and resource development. The potential of our Canadian consumer market is ever increasing. Whereas in 1931 our population was 10.4 millions, it had increased in 1941 to 11.5 millions and at the close of 1953 to approximately the 15 million mark. Since the close of World War II, the rate of increase has stepped up to 2½ per cent and there is no reason to believe that other than steady growth in population will continue.

Since 1945, more than three-quarters of a million immigrants have come to Canada, which adds to our Canadian labour force and increases the demand for consumer goods and services. During the past decade, there has been a continuing trend of population from rural to urban and from urban to suburban. From a survey comprising 36 of the largest centres in Canada during the years 1941 to 1951, the increase in the central municipality was 20.4 per cent, while for the greater metropolitan areas it recorded upwards of 30 per cent. In Montreal, for instance, the population of the city proper rose by 13.1 per cent, while its suburbs registered an increase of 54.3 per cent and it is reasonable to believe that such cities as Toronto, Winnipeg, Calgary and Vancouver recorded relative growth.

Our ever-changing economy has also produced marked changes in population and content. The middle class comprises the dominant factor in retailing. Compared with 1926 purchasing power, per capita income (after taxes) in 1951 was 56 per cent higher; today it is nearly 60 per cent which means that there is more disposable income available after basic items of expense such as food, clothing and rental have been taken into consideration.

Basically the structure of Canadian retailing has varied only slightly during the past 20 years. Department stores today account for practically the same percentage of sales, other than foodstuffs and automobiles, as in 1931, although their ratio to total retail expenditure has dropped from 13 per cent to 8.6 per cent. This is accounted for through an over-all increase in the standard of living as it relates to edibles, automobiles and durable goods in the higher price range. The rapid growth of the chain stores (foodstuffs) has left its effect on the independent stores, although in all other lines of merchandising these have maintained their position.

It is natural to expect that changes in population and personal income have influenced to no small extent the nature of retail merchandising and the location of retail outlets, comprising all classifications of business. The retailer, in return, strives to meet these situations both through demand for better transportation facilities within the given metropolitan area and also through the creation of regional shopping areas adjacent to the centres of population in the outlying districts. The increased use of the automobile has created a mobile population. This has greatly intensified residential development, reaching out into the countryside, which in turn creates flexibility in shopping activities.

In spite of this, and in mild contradiction to the claims of those who say that the future of retailing lies entirely in the creation of regional shopping areas in the suburbs, the fact remains that, providing cognizance is taken of the need for streamlined methods of transportation and the provision of adequate parking facilities, there is no reason to believe the downtown shopping centres will not continue to lure the average shopper. It is here that the utmost variety in merchandising and the ultimate in customer relations and services are to be found. This will continue to prove the pulse of our centres of population.

Large and Traditional Downtown Areas

The large and traditional downtown shopping areas in the final analysis provide the lifeblood of our cities in their contribution to the financial welfare of any metropolis; and there is an ever-increasing awareness of this on the part of those interested in municipal control and government. The problem of easier access to the downtown areas must be met. This of course relates both to actual merchandising activities and provision whereby office personnel and labour generally may be transported to and from their places of employment in the shortest possible time.

Mention might justifiably be made here of the new subway recently opened in Toronto, which runs north and south under Yonge and Front Streets, from the Union Station to Eglinton Avenue, a distance of approximately 4½ miles, in less than 15 minutes. Such an innovation cannot but react to the advantage of both the downtown retailer and the travelling public. Our downtown shopping areas will long remain the nerve centre of retailing.

Large department stores, as well as the main outlets of retail trade generally, are not overlooking the value of participation in regional shopping areas which are located several miles from the heart of the city. There is much to be gained through locating where potential customer ratio is large and where shoppers obtain the ultimate in parking privileges. Here, too, lies the opportunity for the larger stores to avail their regular customers of the privilege of buying their needs closer to home and yet continue to enjoy the selection in merchandise which the larger store provides.

Suburban retail development includes two principal types; that of branch stores, which are usually located within suburbs immediately contiguous, and that of the regional shopping centre. The latter usually requires a population in excess of 250,000 within a radius of 20 miles and its establishment is the result of joint effort by both architect and market analyst. The economist sets forth the character of the market and determines the retail classification that is therein located. The architect is responsible for the proper grouping of the outlets and advises as to the location of trades and the construction of buildings. A regional shopping centre, properly designed, will cater to the majority of consumer needs.

Several vital points must be studied before location of these areas is decided upon:

(a) An analysis of population and income.
(b) Added possibility of further development in surrounding territory.
(c) Consideration to be given to traffic flow and public transportation.
(d) Ample parking space to be immediately available.
(e) The nature of neighbouring competition in retailing, either existent or within the immediate realm of possibility.

The degree to which consumer goods of all kinds is maintained, depends upon quality of service and merchandise. Retailers everywhere form the spearhead of greater productivity in manufacture and design. Their attitude and control relative to distribution of goods to the consumer play no small part in our Canadian economy and in protecting our accustomed standard of living. Methods of retailing must be in the best interests of the buying public. Ethical business dealings and due consideration for the needs of the consumer must be of paramount concern.

When the supply of practically all types of consumer goods exceeds the demand, competition becomes keen. Loose methods of merchandising may result in disaster to both store and customer. Reasonable profit on transactions should be within the expectancy of the retailer who best serves his customers and in like token protects and preserves his original form of investment. ★★★

tivities are covered in more detail in the report of our Educational Director, Leonard Berry.

Field Activities

I was in the field 72 days, having visited 31 cities in 14 states and 5 cities in the Provinces of Ontario and Quebec, Canada.

Attended the meetings of Districts 2 and 12 at Atlantic City in March, Districts 3 and 4 in Charlotte, and District 9 in Denver in April.

District meetings were attended by the following: President H. C. Alexander, Districts 2, 3, 4, 6, 8, and 12; Vice President W. J. Tate, Districts 1 and 5; Vice President W. C. Goodman, Districts 8 and 9; Arthur H. Hert, District 8, and Leonard Berry, Districts 5 and 7. All District meetings were covered, with the exception of 10 and 11, and they are to hold business meetings just prior to the conference in San Francisco in July.

Cooperation

It is with appreciation that I acknowledge the cooperation of President Alexander, the Officers, Directors and Committee members, the executive staff of the Associated Credit Bureaus of America and the Credit Women's Breakfast Clubs of North America, and the membership of the respective organizations. It has contributed to a most satisfactory year.

My thanks go to Arthur H. Hert, Secretary, and Leonard Berry, Educational Director, likewise to members of the National Office staff, for their loyalty and devotion, contributing factors in the success of the Association.

Report of the Finance Committee

Charles D. Reno, *Chairman*

MEETING OF your Finance Committee was held at the National Office on May 19, 1954. Members present were Earl Paddon and myself, with President Alexander and General Manager-Treasurer Crowder sitting in ex-officio. National Director Kenneth Oetzel attended the meeting as a guest. Past President Reagan was ill and telephoned he would be unable to attend.

As of May 31, 1954, the close of our fiscal year, cash on hand and in banks, including Canada, totaled $30,643.06. This compares with $27,164.56 cash balance the end of May, 1953. Of this amount, $9,896.91 represented advance to the Pension Trust for retirement of mortgage on the building. In addition we will carry under Current Assets, Prepaid Rent, $5,096.91, the remainder of the advance. This balance will be reduced $400.00 monthly, rental on the building, the same as for the year just closed.

The practice of paying all bills in the month in which incurred, which was started in 1935, has been followed and there is no unpaid indebtedness.

The employment of S. D. Leidesdorf & Company, Certified Public Accountants, was authorized to conduct the semi-annual cash audit of receipts and disbursements. Report of the audit for six months ended November 30, 1953, was sent to the Chairman of the Committee, Charles D. Reno, and to President Alexander. Report for the full year will be included in the Directors' folders, which will be handed to members of the Board at San Francisco and mailed subsequently to absent Directors.

Your Association is in excellent financial condition, due to the fine teamwork of President Alexander, the Officers, Directors and General Manager-Treasurer Crowder, the National Office staff, and the cooperation of the entire membership.

Report of Secretary and Research Director

Arthur H. Hert

DURING THE past year, seven issues of The CREDIT WORLD were dedicated to: Dallas, Texas; Portland, Oregon; Victoria, British Columbia, Canada; Denver, Colorado; San Francisco, California; Oklahoma City, Oklahoma; and Baltimore, Maryland. Cities scheduled for 1954-1955, are: Minneapolis, Minnesota; Houston, Texas; Vancouver, British Columbia, Canada; Birmingham, Alabama; Albuquerque, New Mexico; Winnipeg, Manitoba, Canada; and Louisville, Kentucky. This plan has created additional interest in the Association as it gives many of our members an opportunity to submit contributions to the field of retail credit. Also, extra copies sent to prospective members for local and national membership are of valuable assistance in securing these memberships.

The *Credit Clinic* Department, during the past year, has been one of the most informative sections of the publication. The response for information from our members has been encouraging and to those members who have made this Department such a success go our sincere thanks for their efforts.

We have made some headway in securing additional cities for our *Comparative Collection Percentages* Department. New cities added are: Portland, Maine; Dallas, Texas; Houston, Texas; San Jose, California; and Philadelphia, Pennsylvania. We still have space for more cities in this department and several have stated that they expect to send us their figures within the next two or three months. New lines of business will be added to the list as the figures are received.

In addition to my other numerous duties, I have handled the details of layout and supervision through the press of *Retail Collection Procedure and Effective Collection Letters* published in May.

In January I attended the meetings of the American

Retail Association Executives held in New York; also the business meeting and luncheon of the Credit Management Division of the National Retail Dry Goods Association. It was my pleasure also to attend the annual meeting of District Eight held in Dallas.

In conclusion, I wish to take this opportunity to thank our members for their continued interest and cooperation with me for the past twenty years. My thanks, also, to the officers, directors and National Office staff for their able assistance at all times.

Report of Educational Director

Leonard Berry

IT IS WITH pleasure that I submit my fourth annual report. A new publication, *Retail Collection Procedure and Effective Collection Letters,* has been completed. It is similar in appearance and format to the *Physicians and Dentists Credit and Collection Manual,* published in 1953. This book is designed for use as a training manual for new collection department personnel and also as a source of inspiration and ideas for more experienced collectors. It contains six chapters which describe detailed and recommended collection procedures. The book includes 35 original collection letters for every collection situation. Early sales indicate that it will gain acceptance and fill a definite need.

Sale of the *Physicians and Dentists Credit and Collection Manual* has been highly satisfactory. As of May 31, 1954 we had sold 3,424 copies. Several credit bureaus have purchased in quantity for gratis distribution to their professional members as a good will gesture and also as an aid to better collection procedures on the part of physicians and dentists. Educational courses have been offered in some communities based on the manual to which physicians and dentists as well as their office personnel were invited. It is anticipated that the book will continue to be in demand for an indefinite time.

The results of the first N.R.C.A. Retail Credit Institute held at the University of Oklahoma, Norman, Oklahoma, the week beginning July 20, 1953 were gratifying. Fifty-two students attended from eleven states. Subjects taught included Business Communications, Public Relations, Accounting, Business Law, Credit Bureau Service, and Retail Credit Fundamentals. Two evening forums were moderated by a credit manager of long experience, assisted by several selected credit granters from various fields. Sixteen separate types of business were represented at the Institute. Eighteen of the fifty-two students were women. Some of the students were owners of businesses seeking to obtain ideas of profitable credit sales promotion programs and effective collection procedures. The success of the Institute encouraged us to go forward with the program for 1954. This year the Retail Credit Institute at the University of Oklahoma, the week beginning July 12, 1954 will include Retail Credit Fundamentals for first year students and Retail Credit Management for second year students. Advance inquiries and actual registrations lead us to believe that the 1954 Retail Credit Institute will be as successful as the one in 1953.

A Retail Credit Institute will be offered for the first time at the University of Illinois, August 16 to 20, 1954. At this Institute, Retail Credit Fundamentals only will be presented this year. Next year we shall offer both Retail Credit Fundamentals and Retail Credit Management, providing, of course, attendance meets our requirements.

From all reports Retail Credit Education Week, held May 9 to 15, 1954, was most successful. Material supplied to local associations and to credit bureaus was well received and extensively used. This being the first Retail Credit Education Week, much was learned and improvements will be made in our conduct of the observance in subsequent years. This holds promise of developing into an important regular feature of our comprehensive credit educational program.

Credit Schools conducted by Sterling S. Speake have been uniformly successful. Mr. Speake's services are in constant demand and he is kept busy fulfilling all his engagements. During the period June 1, 1953 to May 31, 1954, Mr. Speake conducted 39 Credit Schools located in 38 cities in 21 states and two Canadian provinces with a total enrollment of 3,322. All the letters received at the National Office, as well as personal reports made to us in the field, show complete unanimity as to the effectiveness of Mr. Speake's presentation and the interest and enthusiasm aroused. Those communities not yet having made arrangements to hold a Sterling S. Speake Credit School are urged to do so immediately. The benefits are far reaching and long lasting.

The cooperation of members in making The Credit World feature, "Credit Clinic," so successful is greatly appreciated. The promptness and completeness with which contributors respond to questions put to them are highly gratifying. This Credit World feature has earned commendation of our members and is eagerly looked for each month by them.

I had the privilege of addressing the meetings of Districts 5 and 13 at Chicago, Illinois and District 7 at Fort Smith, Arkansas and of conducting a Business Communications Clinic at Kansas City, Missouri, September 22 and 23, 1953. The sponsors of the Fifth Annual Clinic, held at the University of Georgia, Atlanta, Georgia, invited me to speak on the subject, "Changing Concepts of Retail Credit Management." Several local credit associations, annual meetings of credit bureaus, credit schools, civic groups and other organizations were addressed by me during the year by invitation of the sponsors of those events, and in most cases, with expenses paid by them.

My deep appreciation for the unfailing and generous cooperation of L. S. Crowder, Arthur H. Hert, and the National Office staff is here expressed. To the officers and directors, to the various committees, and to all our members, my sincere gratitude for their continued cooperation and confidence.

Editorial COMMENT

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San Francisco Beats All Records!

MORE THAN 1,400 delegates and guests in attendance at the 40th Annual International Consumer Credit Conference left San Francisco with words of praise for the efficient manner in which all conference details were taken care of. Many favorable comments were heard regarding the business program and the excellent addresses of the Honorable Marriner S. Eccles, Chairman of the Board, First Security Corporation, Salt Lake City, Utah, George A. Scott, President and General Manager, Walker-Scott Company, San Diego, California, Carl A. Bimson, President, Valley National Bank, Phoenix, Arizona, Waldo J. Marra, Director of Banking Relations, Walston & Company, Los Angeles, California, and Donald M. Messer, Vice President and Treasurer, Dohrmann Commercial Company, San Francisco, California, Immediate Past President of the National Association of Credit Men.

Thirteen past presidents and eleven wives of past presidents were in attendance, the largest number at any National Conference.

At the Quarter Century Club breakfast there were 51 present from 35 cities in the United States and two from Canada.

The Credit Forum and Credit Workshop on Monday and Thursday afternoons, respectively, were interesting, enlightening and constructive. Group meetings each afternoon, representing different lines of business, were well attended and enabled members to "get down to bedrock" in the discussion of their problems. They contributed much to the success of conference. To the speakers, chairmen, co-chairmen and panel members for their cooperation we say "Thank You."

The conference was honored with the presence of Samuel C. Stovall, Project Manager, International Trade Development Division, Department of Commerce, and a party of nine from Denmark. They represented seven banks, a retail dealers' association and a consumers' council, and were members of a Danish study group, interested in installment consumer credit. It was a pleasure to have them attend the Banking and Finance Group meetings, the Credit Forum on Monday afternoon and the general sessions on Wednesday and Thursday. Because of a previous commitment to visit the Bank of America is was not possible for them to be present at the convening of the conference on Tuesday morning. They remained for, and were introduced at, the banquet on Thursday evening.

Entertainment, starting with the "West Coast Hawaiian Night" on Sunday evening and ending with the banquet and dance on Thursday evening, was outstanding and thoroughly enjoyed by delegates and their guests.

We congratulate all committee members and our San Francisco friends for their fine work in the handling of the many conference activities.

Our appreciation to all for a job well done!

L. S. Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

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